CANADA

Summary Report of the Commission of Inquiry on Unemployment Insurance

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Challenge and Opportunity

This Commission of Inquiry was established by Order in Council on July 4, 1985. Its task was to examine how Unemployment Insurance can help Canada's economy to develop and its labour market to operate smoothly; how to make the program fair for everyone; and how to ensure that it offers the best possible help to Canadians who are temporarily unemployed. It was asked to review all elements of the Unemployment Insurance program – the extent of coverage, the criteria for eligibility, the amount and duration of benefits, as well as financing and administration.

Public hearings began in October 1985, and by March 1986, 60 days had been spent visiting 46 communities across Canada. In tiny villages and large metropolitan centres a total of 475 presentations were heard. They took place in formal public hearings, informal community meetings and round-table discussions, and at work sites, Unemployment Insurance offices, job creation projects and unemployed action centres.

By the end of June 1986, almost 1,500 submissions had been received. The Commission investigated specific questions through more than 30 studies from private consultants and experts. The views of provincial and territorial governments and of the academic, labour and business communities were sought. The experiences of those who administer the program were also drawn upon. Finally, the impact of Unemployment Insurance in various regions and communities was observed first hand.

Throughout the course of this process it became clear that the problems in the program cannot be resolved by new research or knowledge alone. Solutions are needed which will respond to the breadth and depth of concern expressed by the public. To do so requires going beyond present problems, anticipating future events, and integrating ideas in a new way.

A fundamental transformation of the design of the Unemployment Insurance program and of the structure of the organization is essential. Such fundamental changes cannot be made quickly, and even more importantly, should not be made in isolation. The proposals contained in this report recognize the need for major reforms in the Unemployment Insurance program and in related income security and economic development programs. They also recognize that time will be needed for Canadians to adapt to these changes.

Leslie Parnwell, Hairstylist, Edmonton, Alberta

This letter was written by the sister of Leslie Parnwell to Mr. Jim Edwards, Member of Parliament for Edmonton South. A copy was sent to this Commission of Inquiry. It is included here because it illustrates the problems and frustrations of a claimant confronted with a complex administrative system.

Dear Mr. Edwards,

My name is Leslie Parnwell. I have asked my sister to write this letter for me as I do not write well enough or understand the system well enough to be able to express myself properly.

I have a problem with Unemployment Insurance and am at a loss as to what to do about it. I feel I am being unfairly penalized due to an error with the Unemployment Insurance system.

I would like to tell you a bit about myself so that you will have a better understanding of the magnitude of my problem. I am 23 years old and just recently married. My husband and I live in a small apartment and have just purchased a car with a loan from the bank. When I was attending school I did not have the understanding of the academic system to attend an academic school, so instead I went to a vocational school and became a licensed hairstylist. This is the field I have worked in since and although I have never cleared more than $700 per month, I have always been able to manage. I moved out of home this spring, and as I said earlier, got married and bought a car. I am currently employed full-time for minimum wage, my husband is only working half time for just above minimum wage and we are finding it nearly impossible to make ends meet. There is definitely nothing left over for the "finer things in life."

Just before I got married, I was laid off work and applied for unemployment benefits. When I applied I found the forms difficult to fill out and had no idea how much benefits I was eligible to receive. I collected benefits for approximately four months and then found work again as a hairstylist making minimum wage. Approximately four months after I stopped collecting benefits I received a statement from Unemployment Insurance indicating I had been overpaid by $1,307. For someone in my position this is an overwhelming amount of money to be paid back.

My sister and I went down to our local office to discuss this issue. After waiting one and a half hours we spoke to a counsellor. We found this man to be both rude and obnoxious. He questioned the need for my sister to be present. When I explained to him that I did not understand why this problem had happened and that my sister was there to help me understand, he told me it was my fault.

His exact words were "anyone can tell when they are being overpaid by that much." He then showed me a piece of paper that indicated that the error had been made when the claim was punched into the computer and stated that I should be aware of this because this was a copy of a letter that had been sent to my home. When told that I did not receive this letter, he told me I must have because it had been sent to my correct home address. My sister asked him if I could have a copy of the letter and he replied with "it isn't necessary because she has already received one." My sister then asked him straight out whether or not he was going to give me a copy of the letter. With this he stormed into a back room and came back with a copy.

After I received the copy, my sister asked why it had taken over six months to find out that an error this large had been made on the part of Unemployment Insurance. The problem was that instead of basing my insurable earnings on a figure of $3,641, someone made the mistake of keying in $6,341. This error gave me $91 more per week than I was entitled to. When asked why it had taken so long to discover this error, he asked another counsellor to come over.

By this time I was in tears and my sister was visibly angry. My sister asked the other counsellor why it had taken so long to find the error and was told she had no right to ask for explanations and that "Leslie should speak for herself and we should find out exactly what she wants." I told her that I wanted exactly what my sister had asked for and that I had asked my sister to speak on my behalf. The woman very huffily told us that the "variance report" for my period had just recently been generated and that was how and when the error had been found. My sister asked why it had taken more than six months to generate this report and was told that the office in Edmonton had no control over what they did down east and this is the way the system is.

The gentleman then stated that he wanted to work out a repayment plan for the overpayment. My sister told him that I was not prepared to work out a repayment plan until further information had been received. He then told us about the appeal process, gave us a pamphlet to read and told us that we could write to anybody we wanted to, but they would get the money back in the end. We then took the forms and left.

I am not writing this letter to try to get out of paying back all of the money I received. I chose not to go through the appeal process because there isn't really anything to appeal. I understand that I was overpaid. What I am writing for is to find out why the system is so inadequate that it took six months to find an error this large. I do not feel that I should have to pay the entire amount because of someone else's error and an inadequate tracking system. I cannot possibly afford to pay more than a token sum monthly and it could take years before all of this money is recovered.

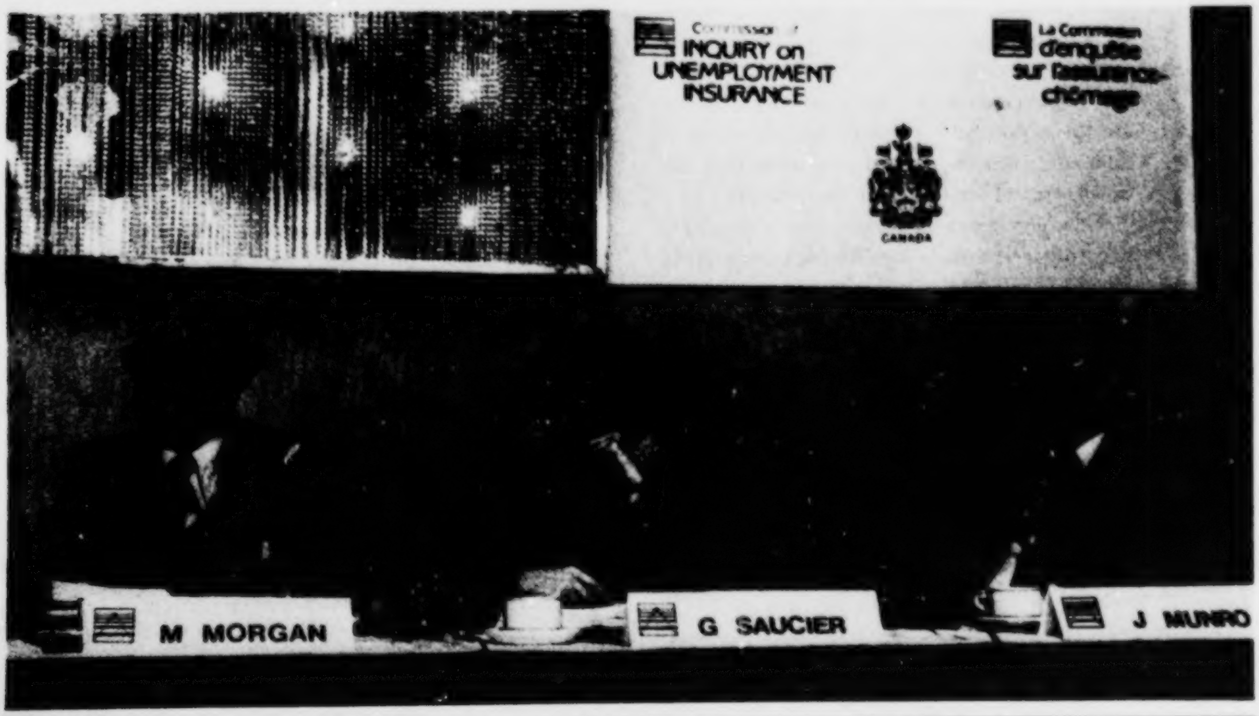
Over the years I have known people who have been able to use the system to their advantage and get away with it. If I had made the error totally on my own then I would have to accept full responsibility for it. Somehow there is something wrong when a little person has to pay the full costs of a mistake of a large government organization. I feel that the UIC has to have some obligation to account for their errors, not only to the little person such as myself but to the Canadian public at large. Is there no accountability?

I have forwarded a small amount of money to the Canada Employment Centre Collection Office and advised them that I am pursuing this matter further. I have also sent a copy of this letter to a number of other persons . . . in hopes that someone will take action in this matter.

I look forward to a reply.

Sincerely,

Leslie Parnwell


Commission of
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d'enquête
sur l'assurance-
chômage
CANADA
M MORGAN
G SAUCIER
J MUNRO

What Is the Problem?

The first issue facing this Commission of Inquiry was to define the nature of the problem. Does unemployment represent a fundamental breakdown in the Canadian economy? Is it a regional problem, an industry problem or an individual problem? What are the needs of the unemployed and how well does Unemployment Insurance meet those needs?

Unemployment Insurance is regarded as the core of Canada's income security system, as important to working Canadians as Old Age Security and government pension plans are to the elderly and as Medicare is to all of us.

At the same time, the program is subject to widespread criticism. Canadians have passionate views about what Unemployment Insurance should provide, who should be protected, and how the system should work. They care about how well or how poorly their own needs are met and how efficient and fair the system is for all Canadians.

This central role of Unemployment Insurance in the income security system, the sense of program ownership by employers and workers, and Canadians' anxiety about the future, provide the context within which a review of Unemployment Insurance must be placed.

"If you think the system is working, ask someone who isn't!" (Organization of Unemployed Workers, Port Alberni, B.C., picket sign)

"As for using and abusing UI, there are always going to be a few who do it, but I believe the majority of the people on UI use it because that is their life blood." (Women's Centre–Chatham, Newcastle hearings)

"Our position on the Unemployment Insurance program is that, as you have stated, it is a safety net. The safety net should be restricted to those people who are temporarily unemployed, are actively seeking employment and are employable. It should not be used as a cure-all for the various other social problems that are persistent right now." (Calgary Personnel Association, Calgary hearings)

The Changing Nature of Unemployment

Throughout the consultations, many Canadians expressed concern about the availability of jobs and about their income security. Participants were acutely aware of the dramatic changes in the economy over the last few decades – not just here in Canada, but around the world. They recognized that we will all continue to face pressures to adapt to the new realities of a much more interdependent global economy. Those who lose a job cannot assume that when times improve their skills will be in demand again. There was a strong call for a full employment policy – for some form of government intervention to ensure that there will be enough jobs for all who want to work. Many participants foresaw massive structural change in the economy in response to technological change, international competition and free trade. They feared permanent job loss in dying industries and single-industry towns and a lack of employment opportunities in poorer regions of the country. At the same time, they expected unemployment to continue growing as those previously outside the labour force sought entry into the job market.

The Dynamics of the Labour Market

The official unemployment rate reflects the proportion of the labour force that is out of work at a specific time and is one of the most frequently cited indicators of economic performance in Canada. Most Canadians are so familiar with the unemployment rate that it is referred to as if it were a thermometer showing the health of the country. The unemployment rate, however, provides only part of the picture. The main problem with concentrating on this single number to the virtual exclusion of all others is that it provides only a snapshot of the economy at one moment in time. The economy is always in a state of flux and unemployment is too complex to be described adequately by a single figure. In fact, the number unemployed at some time during any year is much higher than the average unemployment rate for that year. In 1985, when the unemployment rate averaged 10.5 percent, the number of persons unemployed at some time during that year was 25.4 percent of the population in the labour force.

"Our society pays a very large cost for high rates of unemployment. In 1982, the estimated cost was $78.3 billion. There may be tremendous costs involved in creating sufficient work for all the people who want it, but they are obviously less than the costs we incur as a society under current circumstances of lost training outlay, lost production, lost earnings, lost taxes, increased social welfare costs and UI benefits as well as the costs of increased mental and physical stress." (National Action Committee on the Status of Women, written brief)

There is continual turnover in the labour market as workers change jobs, lose jobs and search for new ones, or leave the labour force altogether, while new people enter. Similarly with employment opportunities – firms and whole industries expand and contract, relocate and restructure to meet technological change, market competition and shifting demand patterns.

Thus, unemployment is a problem which annually affects one in four Canadians who want to work. No one can be certain that he will never need Unemployment Insurance. In fact, it is more likely that at some time he will. One of the participants in the public hearings summed this up when she quipped "UI stands for 'you' and 'I'."

"The unemployed are our husbands, our wives, our sons, our daughters and our grandchildren. They are us, dammit!" (Unemployment Help Centre, Kingston, Ottawa hearings)

Dorothy Hall, Assembly-Line Worker, Burnaby, British Columbia

Mrs. Hall's situation illustrates the problems faced by many older workers affected by technological change and structural unemployment in Canada.

I'm 57 years old and I worked for 25 years on the assembly line at Vancouver Plywood until I was laid off in December 1983. Before that I worked nine years for BC Tel. VanPly was a very old plant. The owners, MacMillan Bloedel, said they were running in the red all the time. They levelled it about a year ago . . . When things were good, well over 1,000 people worked there. . . We had an awful lot of shut-downs in the last five years . . . three weeks here and three weeks there. Some years I collected UI for twelve, fourteen weeks through layoffs. But I didn't have any trouble getting my full benefits when the plant closed for the last time.

Last year I worked for 21 weeks on a make-work project in Port Moody, putting in a heritage museum. That qualified me for UI again, but it will be running out next month. I don't know what I'm going to do then . . . The job prospects in Burnaby are about zero.

You see I'm not really qualified for very much of anything . . . a plywood plant doesn't qualify you for anything else. But there really isn't anything out here anyway. I've applied to stores as a sales clerk, but most places are not hiring. Of course my age doesn't help any . . . And there are so many plywood-plant workers out of work. Ours was not the only plant . . . There were quite a few shut down. The ones that are operating have all new machinery and what have you, so they hire far fewer people. And there are people with far more seniority than I had still out of work.

As for the future . . . I won't be getting a pension for eight years. I'm not optimistic about those years. I do have some money saved, but not enough to last me for eight years, that's for sure. I have a son, so I'm not going to starve to death or anything like that . . . It's just that I have been independent all my life and I really hate the thought that some day he may have to look after me. But he may have to, despite my working for over 30 years.

I think I have gotten a fair deal from UI. It's just that I don't know what they can do for me. They interviewed me when I applied for Unemployment Insurance, asked me what skills I had, and of course my skills are in plywood. If I were younger, possibly I could have taken a course in computers . . . I would love that.

If I could collect my Canada Pension at 60 it would make all the difference in the world, because I know that I have enough money to get by those extra years until I'm 60 . . . Or if they could train me in something . . . but I understand that I'm really too old for retraining. I realize that now. If the training took one year or two years, then really it's pointless for them to train me, isn't it? I'm realistic about it. I know of quite a few people who are in the same situation as me.

I would like very much to have worked at least until I was 60, then I could have taken early retirement. I'm very sorry that I lost my job, but I don't blame anybody. I can understand that the company was losing money and you can't run a business if you're going way in a hole every year as they told us they were doing . . . and I have no reason to doubt the fact, because they weren't the only one that closed down. There just weren't sales out there . . . and this was prior to the United States putting the tariff on shakes and shingles . . . It must be really awful now . . .

The Risk of Being Unemployed

"The costs and burdens of unemployment are not equally shared and some groups are affected far more than others. Managers, professionals and executives are generally spared the direct effects. The worst impacts fall on the economically weak and marginal – youth, women and workers in resource communities." (Newfoundland and Labrador Federation of Labour, written brief)

Although all working Canadians must live with the heightened possibility of becoming unemployed, some are more susceptible than others to frequent spells of unemployment. In addition, the long-term unemployed bear a substantial portion of the total burden of unemployment. Some of these individuals are "chronically" unemployed: they suffer repeated spells of joblessness and are unemployed for a large portion of their adult lives.

The industry and occupation in which a person works are important factors influencing the probability and duration of unemployment. Different classifications may produce different emphases but the broad picture remains the same. The workers in certain industries and sectors (for example, construction, fisheries and forestry) are more susceptible to unemployment than others. While workers in these industries represent a minority in the Canadian work force, their importance in the overall picture of unemployment stems in large part from their regional concentration.

Since 1975, all provinces east of the Ottawa River have had unemployment rates above the national average, and the same higher rates have recently existed in British Columbia. In many cases the higher unemployment rates of certain provinces still underestimate the economic difficulties found there. Provinces with higher unemployment rates tend to have lower participation rates because more discouraged workers withdraw from the labour force and fewer new people enter.

"The Railway Association of Canada knows of no other national, federally run program where the location within the country in which you live determines your entitlement to a benefit." (Railway Association of Canada, written brief)

Unemployment rates give a general idea of the relative difficulty in finding a job in the area. For this reason they are used under the current Unemployment Insurance program to trigger regionally extended benefits. If unemployment rates accurately reflected the duration as well as the incidence of unemployment, one could argue that their use as a trigger for longer benefits was justified. Interregionally, however, there is much less variation in the duration than in the incidence of unemployment. While both factors play a role, the higher rate of unemployment in Newfoundland compared with Ontario, for example, is *more strongly* influenced by the fact that a greater proportion of Newfoundland's work force experiences unemployment over the year than by the longer duration of the unemployed spells.

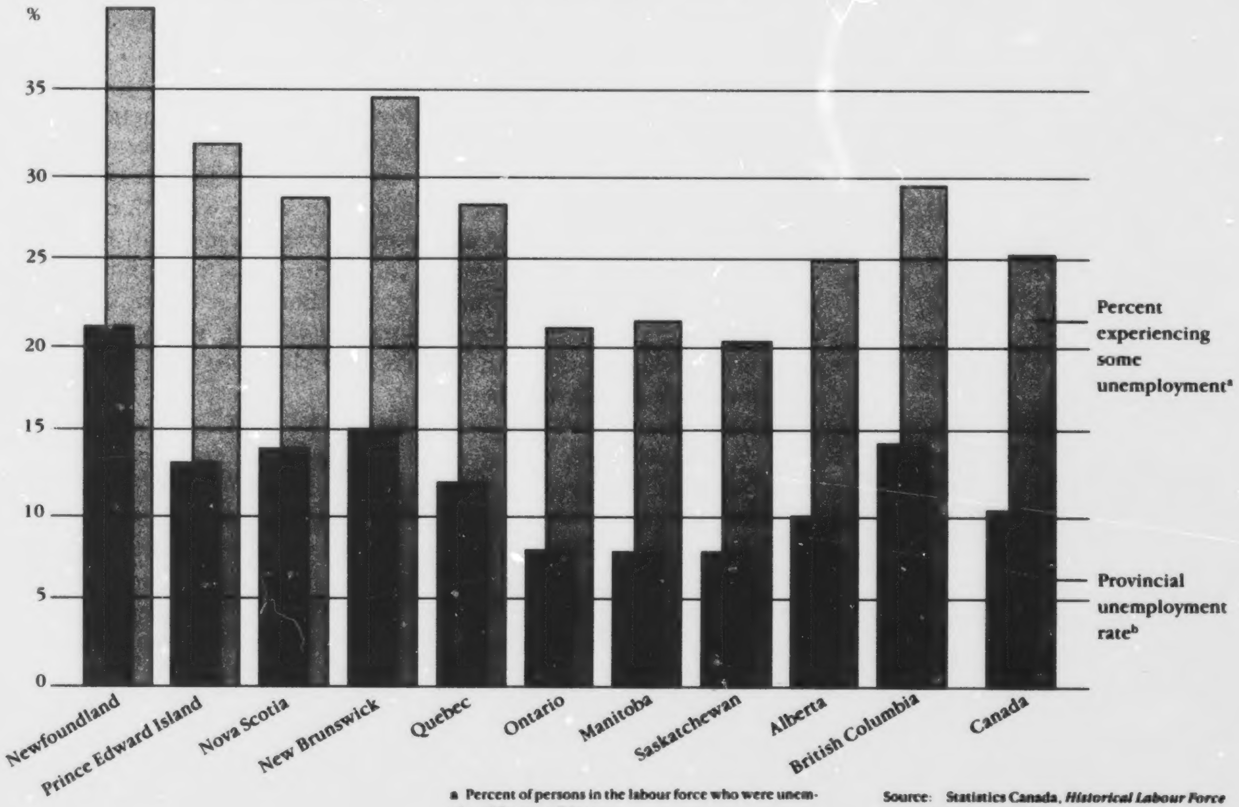
"There were two age groups in our local union most affected by the continuous high unemployment; namely, the young members between the ages of 18 and 28 – that group is mainly made up of apprentices, and we have massive unemployment among our apprentices – and the 50 and older age group." (United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada, Local Union 170, Vancouver hearings)

The characteristics of the individual also influence the likelihood of experiencing unemployment. A low level of education considerably increases the probability of unemployment. Older workers, particularly men, are vulnerable to longer spells of unemployment. Young new entrants to the labour market also face greater risks of unemployment.

The persistence of high levels of unemployment and the concentration of unemployment among those in certain industries, occupations and regions are major concerns. These problems and those facing people with low levels of education, particularly the young, have implications not just for Unemployment Insurance but for employment policies in general.

Figure 1

Provincial Unemployment Rates and Incidence of Unemployment, 1985



[a] Percent of persons in the labour force who were unemployed for part of the year.
[b] Annual average of monthly rates.

Source: Statistics Canada, *Historical Labour Force Statistics* (Cat. no. 71-201), 1986; and "Annual Work Patterns Survey," *The Labour Force, March 1986* (Cat. no. 71-001), 1986.

Who Receives Unemployment Insurance?

In 1985 the average monthly number of Unemployment Insurance beneficiaries was 1.1 million, down slightly from 1984 and from the peak in 1983. This figure is about 86 percent of the total unemployed population. Total payments to Unemployment Insurance claimants were $10.2 billion. The average claimant received weekly benefits of $161.62 and the average length of time on claim was 25.3 weeks. About 28 percent of claimants exhausted their benefit entitlement. The proportion of claimants exhausting benefits was highest for those individuals with very few (10 to 14) or many (52 +) weeks of insurable employment. Individuals with an Unemployment Insurance claim in the previous year (repeaters) accounted for about 48 percent of claimants overall; however, 87 percent of claimants with only 10 to 14 weeks of insured employment were repeaters.

"The members of our association are absolutely convinced that many persons voluntarily make what amounts to a way of life out of working only long enough to establish benefits, and then drawing them for the maximum period, and then repeating the cycle. This is borne out by the studies that show that large numbers of persons who couldn't find any work while they were on benefits, very, very quickly find work as soon as their benefits run out." (Construction Labour Relations, Edmonton hearings)

The length of time that Unemployment Insurance benefits were drawn differed between claimants with short-term and long-term labour force attachment. Average durations were longest for claimants with 10 to 14 weeks of insurable employment and for those with 52 or more weeks of insurable employment and shortest for claimants with 40 to 44 weeks. The peaks in Figure 2 suggest three patterns of usage which are significantly different from the average: short-attachment workers collecting for 35 or more weeks; claimants with 40 to 44 weeks of employment collecting for 5 to 9 weeks; and claimants with long-term employment exhausting their benefits.

The observation that workers with 10 to 14 weeks of work tend to receive benefits for close to the maximum possible duration may simply demonstrate the fact that workers with short labour force attachments have difficulty finding a job. This, however, would not account for the difference between this group of workers and those who work 15 to 19 weeks. The distinct pattern of usage gives credence to the concern that some of these workers may be playing the system or to the view that job creation programs may be designed in 10-to-14-week segments in order to qualify workers for Unemployment Insurance benefits.

"We talked about the ten-week idea, and that some people, through no fault of their own can't do any better than that and think in those terms. It's also a fact that governments create that mentality themselves, because governments in fact have some job creation programs which suit the Unemployment Insurance requirements." (Government of Prince Edward Island, Charlottetown hearings)

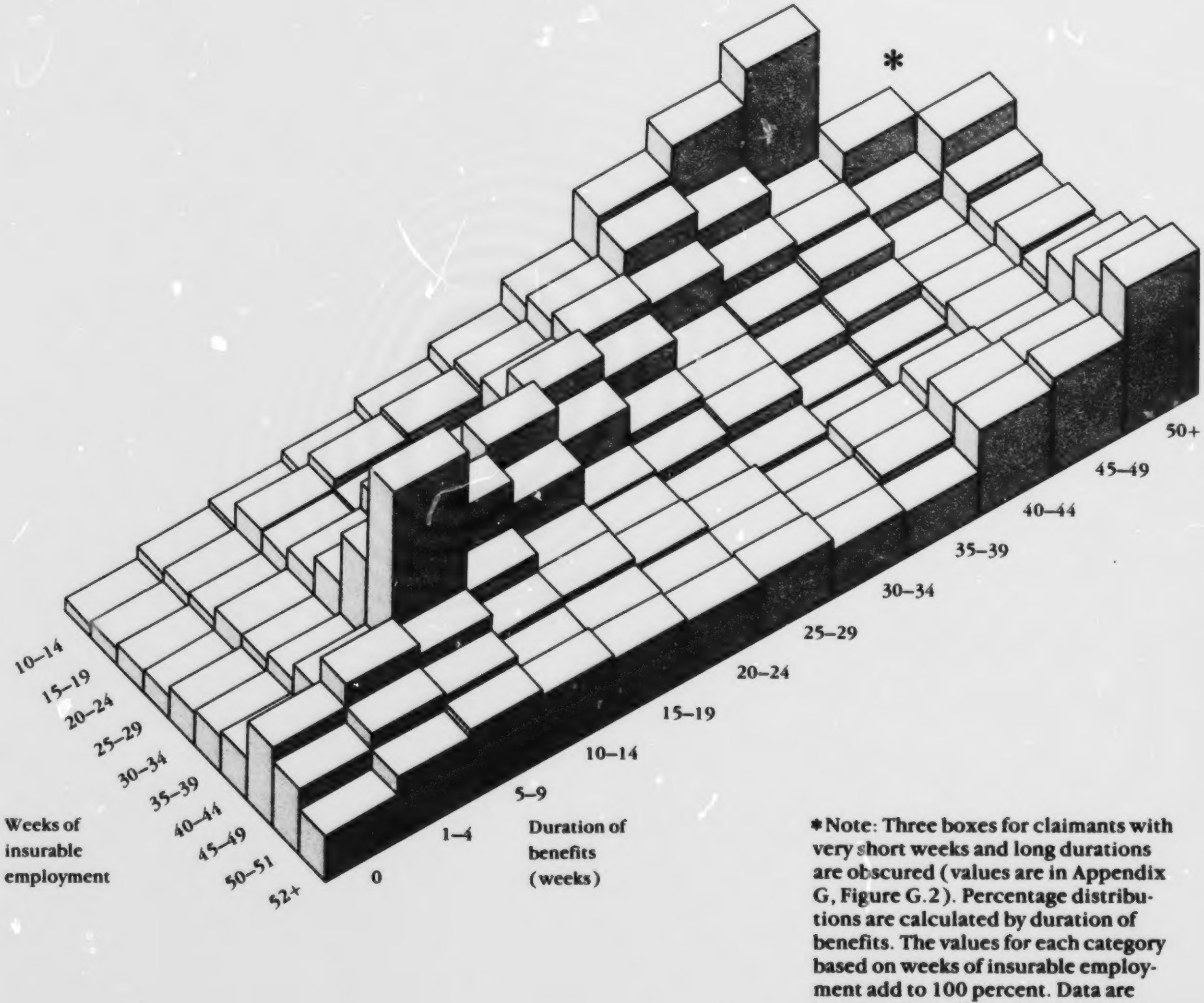
Those who work about 40 weeks and who collect up to 10 weeks of benefits represent another significant pattern. Again, there are two possible explanations: first, that it takes about 10 weeks or so to find another job, and second, that some employers lay off workers for short periods each year to accommodate plant maintenance, inventory and the like, and recall them within 10 weeks.

"You have to realize that people get burned out about age 55. Sometimes their employability is compromised. As anybody at 55 who is marching for a job would attest, it becomes very difficult." (Southern Alberta Building and Construction Trades Council, Calgary hearings)

Finally, although the third pattern observed, that of full-year workers who exhaust their benefits, may suggest that they are taking full advantage of available benefits, it seems more likely that these workers had a long-term attachment to their previous employer and in many cases are unemployed as the result of structural changes in the economy. Consequently, they may have particular difficulties in finding new employment.

Figure 2

Distribution of Regular Claimants by Duration of Benefits and by Weeks of Insurable Employment, 1984



*Note: Three boxes for claimants with very short weeks and long durations are obscured (values are in Appendix G, Figure G.2). Percentage distributions are calculated by duration of benefits. The values for each category based on weeks of insurable employment add to 100 percent. Data are based on "pure" regular claims terminating in 1984.

Source: Calculations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data.

What Are the Needs of the Unemployed?

What the unemployed want above all else is jobs, not Unemployment Insurance benefits. Individuals who are unable to find employment, however, need some form of financial assistance to support themselves and their families while they continue searching for work, await a return to work, move to another community, or retrain. The accelerated rate of change in the economy calls for many initiatives besides Unemployment Insurance to build greater flexibility in the labour market.

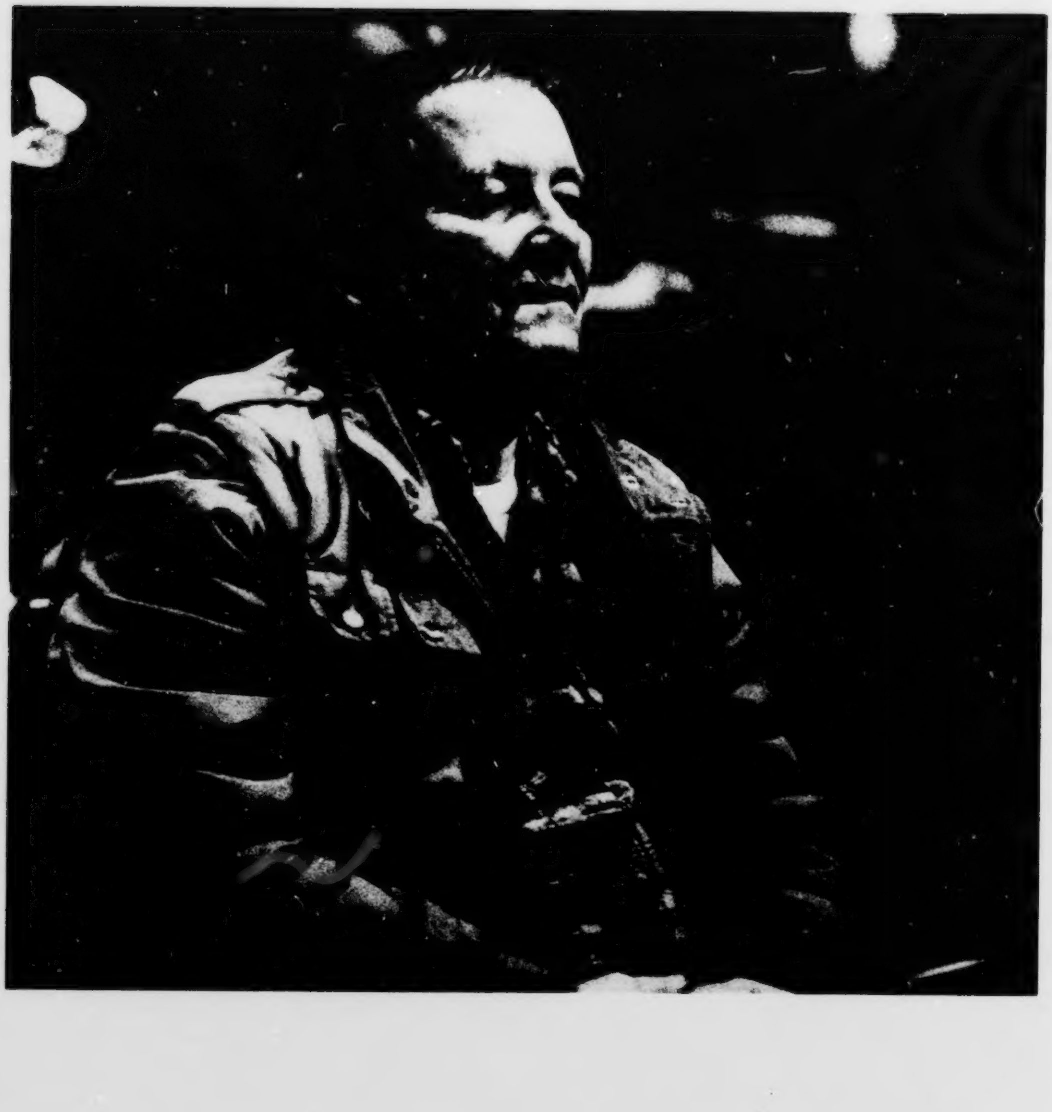
An Unemployment Insurance program cannot meet all the needs of the unemployed. Unless reform of the current program is undertaken as part of a broad, integrated human resource development strategy, it can be no more than a token effort, almost certain to fall short of its objective. It would be irresponsible to remove regionally extended benefits, for example, without providing an income supplement for workers faced with economic hardship and without providing development funds for regions and communities suffering from the impact of economic forces well beyond their control. Practical reform must recognize the need for workers to retrain as skill demands change and tackle the problems inherent in upgrading the basic skills and literacy of the large number of poorly educated Canadians. Employment policy and the Unemployment Insurance program are closely related to tax and fiscal policy, retirement policy, and regulations governing working conditions. Examination of the current program should be undertaken within the broader context of a longer-term strategic plan for human resource development which recognizes and builds on these interrelationships.

What are the needs of the unemployed? Quite simply, they need jobs, money, skills and a broader range of opportunities in the labour market. Each of these needs is addressed in this report and is an important component of a comprehensive human resource development strategy.

"Well, I need the job, firstly for self-dignity, to feel that I am still worth something. And secondly, I need the money." (Albert Kaminski, Vancouver hearings)

"It is our view that any reduction in the level of Unemployment Insurance benefits and any increase in the restriction on UI eligibility, in and of themselves, will inevitably increase poverty and increase income disparity between rich and poor in Canada. That is point no. 1. Point no. 2 is that major changes to Unemployment Insurance should be undertaken only in concert with an overhaul of the whole income security system." (National Anti-Poverty Organization, Ottawa hearings)

"We don't believe that UI should be a convenient cover for social or welfare programs. Not that we do not need social or welfare programs – Lord knows we do. We think they should be identified more up front for what they are, and addressed as such, debated as such. If we decide that's what we want, need and can afford, then fund them as such." (Greater Moncton Chamber of Commerce, Moncton hearings)



Jobs

"We need jobs, not UI!" was a slogan heard often at the public hearings. Certainly, no blueprint for Unemployment Insurance, or any other social program, can be satisfactory unless it takes into account the fact that, generally, Canadians want to work.

"I suggest that as far as a cure is concerned, the best cure is economic growth." (Sam Jannohamed, Edmonton hearings)

First of all, then, the unemployed need jobs. There is a tendency to think of job creation in terms of discrete, government-funded job creation programs, but most jobs are not created by this process. What is most important in raising the level of employment is the general economic policy that sets the stage for employment growth. Although technological change has made employment growth relatively more expensive, failing to keep pace with competing nations in adopting the latest technology would simply save jobs today at the cost of future jobs, because developing new processes and products is essential to compete successfully in world markets.

In terms of creating jobs, this country's performance has been excellent. As can be seen in Figure 3, Canada has been more successful than the United States and Western Europe in increasing total output and in creating jobs to employ a rapidly growing labour force. With respect to gains in productivity, however, Canada has been among the least successful of these countries. For an open economy like Canada's, falling behind other nations in terms of productivity means an eventual decline in its competitive position and in the growth of employment. High priority must be given to raising the rate of growth of the economy, in recognition of the role of economic growth in creating employment opportunities. Particular attention should be paid to policies that would ensure a high and sustained volume of investment and sufficient improvement in productivity to maintain or improve Canada's competitive position in the world.

"The major cause of Canada's unemployment problem is the depressed state of the economy. No amount of government training and job creation programs will help to overcome job reduction caused by the inability of industry to sell its goods and services. The root of the problem is that the majority of Canadian products are not cost and price competitive in either domestic or world markets. The markets are still there, but other countries are supplying them. The reason is not quality, it is cost, including that associated with labour." (Machinery and Equipment Manufacturers' Association, written brief)

Economic Stability at Full Employment

Economic activity is subject to many influences and is likely to be unstable. It has long been recognized as a function of government to intervene in periods of recession in order to stimulate demand for goods and services through the use of general policy instruments – fiscal policy (the balance between taxes and public expenditures) and monetary policy (the general level of interest rates). The hearings provided clear evidence of public support for this role of government.

Is full employment a reasonable objective? Can it be translated into an operational policy? The issues at the heart of the debate include the impact of fiscal and monetary policies on investment, productivity and employment; the interdependence of the economies of Canada and other countries; the relationship between inflation and unemployment; and the influence of expectations regarding wages and prices.

Many economists now believe that because of prolonged past inflation, it may be very difficult to reduce unemployment below 7 percent through traditional public policies. Nevertheless, the objective of full employment is implicit in the discussion of employment growth and job creation. This objective, however, cannot be defined as reducing the unemployment rate to a specific percentage, but rather as reducing the overall problems resulting from the present imbalance between supply and demand in the Canadian labour market.

Canada must take immediate steps to introduce measures for bringing about full employment. This includes planning for economic growth and sound macroeconomic management of the economy. It also includes trying new approaches, such as the increased participation of workers in profit sharing. It will entail some wrenching shifts in priorities, attitudes and assumptions.

> **"Canadian production of textiles declined by 18.5 percent in 1982. By contrast, textile production in all developed countries declined by 5.5 percent and in all developing countries by only 1.5 percent." (Canadian Textiles Institute, written brief)**

> **"There is only one reasonable way to come to grips with the number of people drawing UI and the overall cost of the program. That is to reaffirm full employment as the first priority of economic policy." (Canadian Labour Congress, written brief)**

> **"While profit-sharing cannot be expected to be a panacea for lowering unemployment, positive steps to encourage it may nevertheless be worth taking. Furthermore, profit-sharing or similar schemes, in addition to increasing the responsiveness of nominal wages to unemployment, may be worth encouraging as a potentially powerful vehicle for improving productivity, by giving workers a greater sense of personal commitment to their firms." (*OECD Observer*, September 1986)**

Figure 3

Changes in Employment, Real Gross Domestic Product and Productivity, 1960–83

(Annual averages)

	Change in employment	Change in gross domestic product	Change in productivity[a]
Canada	2.5%	4.2%	1.6%
United States	1.9%	3.1%	1.2%
Japan	1.1%	7.2%	6.0%
Germany	−0.2%	3.2%	3.4%
France	0.5%	4.1%	3.7%
United Kingdom	nil	2.2%	2.3%
Italy	nil	3.8%	3.7%
Average	1.0%	3.7%	2.7%

[a] Real GDP per person employed.

Source: Organisation for Economic Co-operation and Development, *Historical Statistics 1960–83* (Paris: OECD, 1985), Tables 1.6, 1.7, 3.1, 3.7.

Economic Development Strategies

The focus of regional economic development should be on enhancing a region's ability to produce and compete successfully rather than simply on subsidizing firms on the basis of local unemployment rates. More attention should be paid to three areas: encouragement of research and development and promotion of investment to enhance productive capacity; development and improvement of municipal and regional infrastructures; and financial support for community economic development.

"Rather than taking the traditional job creation approach . . . look more in terms of developing an economic base. For instance, job creation monies go into non-traditional occupations. Here in New Brunswick a number of small entrepreneurs do not have the access to financial developmental monies that larger businesses may have." (Fredericton Anti-Poverty Organization, Fredericton hearings)

The needs of communities and individuals can more easily be met at the local level, and there are promising new developments taking place in communities where Canadians have decided to take their futures into their own hands. Policy makers need to become more familiar with the role that such community development initiatives can play in an overall strategy to promote economic growth. These initiatives include two different approaches. One is a community or regional council approach where the local community actively plans and encourages new enterprises. This frequently involves all levels of government, but the pivotal role is played by business and labour through their participation on the council. Their combined efforts are primarily directed toward supporting new business and industry that can survive and prosper in the community. Communities such as those in the Beauce, Lynn Lake, Fort Simpson and Winnipeg's core area are actively involved in this type of community economic development.

"Based on certain experience of European communities in recent years, municipalities could begin to adopt local economic development programs that attempt to plan new types of industries in their communities, and attempt to ensure that investment is put to productive use, meeting both municipal and local needs and the long-term growth needs of the economy." (Social Planning Council of Metropolitan Toronto, Toronto hearings)

A second approach involves community development corporations, worker cooperatives and other legal entities especially created to foster economic development. These corporations have specific objectives and are run as businesses to meet a community need. Local involvement in identifying potential ventures and supporting them leads to jobs that become part of the fabric of the community. These ventures are the result of local enterprise and economic growth, and depend on the community's continuing capacity to generate and maintain business. Because they answer both social and business needs, they can be a powerful tool in promoting community regeneration and self-reliance.

"We have, for example, a used-clothing store, for which after three or four years we have managed to get federal funding, but which was funded locally for start-up. 'At Your Service' is a restaurant-training program; 'K-Team' is a group of moms that have gotten together and are actually providing full-time employment now for approximately 30 persons a year." (Regional Municipality of Ottawa–Carleton, Ottawa hearings)

Job Creation Programs

Job creation programs have come in all shapes and sizes, and have attempted to address a large number of specific problems. The programs have always been considered a temporary response to an unemployment crisis and funds have been continually reallocated to direct job creation, in spite of increasingly widespread recognition that these programs have had little success. Job creation or make-work programs were criticized at the hearings for a number of reasons. It is virtually impossible to plan and commit funds for the longer term because of the short-term nature of the projects. Those approving projects have inadequate knowledge of local conditions. The difficulties of coordinating projects that span the mandate of more than one department can frustrate local initiative. Finally, the disbursement of job creation funds is seen as too political.

"Fostering the start-up and growth of local enterprises that are rooted in the community is the only hope for permanent employment in those regions of Canada currently enduring high unemployment levels. Furthermore, such policies seem far more humane and socially responsible than 'encouraging' migration out of the regions." (Canadian Federation of Independent Business, written brief)

"I believe that short-term job creation is immoral. It is treating people like things. It is herding people through a shuttle bus of make work, UI, make work, UI, to avoid the welfare system. I think the approach lacks honesty, dignity, realism and basic human caring." (Pastoral Institute of Northern Ontario, Sudbury hearings)

For years, the federal government has, with the best of intentions, tried to reduce unemployment and to help individuals and communities by creating short-term jobs in make-work programs run from Ottawa. It has not changed anything in the long run, except to create dependency. Short-term direct job creation efforts should be dropped in favour of a long-term employment and community economic development strategy.

The policy of valuing job creation above all other considerations has not served Canadians well. In future, regional and industrial economic development funds should be used to encourage entrepreneurs and promote competitive enterprises. In the long run, that approach will create more lasting jobs.

"Don't add more objectives to the UI program. Its objectives must be limited to: insurance, labour exchange and job-related training. We are concerned that the UI mandate be restricted to those things and is not made to include an array of job creation programs whose secondary and long-term effects are not properly understood or necessarily aimed for when the programs began." (Conseil conjoint Numéro 91 des teamsters du Québec, Montréal hearings)

Finally, the Unemployment Insurance program is not an appropriate vehicle for the delivery of job creation policies. All the unemployed, and not just those unemployed workers who qualify for Unemployment Insurance, should have access to these programs. Furthermore, the inclusion of job creation within the Unemployment Insurance program – even though it is funded by general revenues – distorts the perceptions that the public has of the program. Thus, job creation should be taken out of the Unemployment Insurance program.

Money: The Need for Income Security

Income security programs in Canada can be divided into three distinct categories or tiers. The first tier consists of *income support programs* such as social assistance and the Guaranteed Income Supplement. The second tier includes *income supplementation programs* such as Old Age Security, Family Allowances, the Child Tax Credit, and programs operated by certain provincial governments. The third tier consists of *social insurance programs* such as Unemployment Insurance, the Canada and Quebec Pension Plans, and Workers' Compensation. Although Unemployment Insurance is a social insurance program, the regionally extended benefits portion of Unemployment Insurance is a form of income supplementation.

"We believe that the administrative connection of UI with other programs, particularly social welfare schemes, should not be allowed to confuse or alter the primary objective of the program. UI is social insurance, not social welfare." (Labourers' International Union of North America, written brief)

Everywhere in Canada today, Unemployment Insurance supplements the incomes of short-term and seasonal workers through regionally extended benefits. When regionally extended benefits were introduced, it was assumed that they would be restricted to specific regions with particularly serious unemployment difficulties. Over time, however, the level of unemployment has risen in every region of Canada and, as a result, some level of regionally extended benefits has been paid in every region since 1981.

"UI wasn't designed to be a support and supplementation system. It's not targetted to low income; it's never going to be very useful as a support program. It's not targetted; it's based on your earnings right now. It also doesn't apply to people who are not in the labour force, and that's most of the people living in poverty today." (Canadian Council on Social Development, Ottawa hearings)

The unfairness of this restricted income supplementation program is clear. Persons who have been unemployed for longer than 25 weeks suffer the same degree of hardship whether the unemployment rate in their region is 4 percent or 10 percent. In high unemployment areas, regionally extended benefits mean that 10 weeks of work can result in 42 weeks of benefits. In other regions with different entrance requirements, 10 weeks of work earn no benefits at all.

"Only 16 percent of the Unemployment Insurance payments go to those below the poverty line; 84 percent go to the haves." (Ontario Provincial Council of Labour, written brief)

When regionally extended benefits are analyzed as a form of income supplementation, it is clear that they are not well designed to meet that objective. This is true for a number of reasons. Unemployment Insurance is not an efficient method of redistributing income. Only 11 percent of benefits go to families with incomes below $10,000. Almost 20 percent of benefits go to families with annual incomes of $40,000 or more. Unemployment Insurance cannot make insufficient earnings adequate, because it replaces only part of the income lost during unemployment and provides no benefit if there is no interruption in earnings. Furthermore, the tax dollars which pay for regionally extended benefits are not directed to all who are in need of a supplement but only to individuals who have obtained at least 10 weeks of insurable work. Finally, this tax money is directed to individuals rather than to communities or regions;

it does not address the need to build up the economic base of the region and to decrease unemployment. Regionally extended benefits are a palliative, not a cure, and do nothing to change the basic problems facing the unemployed in these regions, or the communities in which they live.

"The UI program is designed to provide workers with earnings-related benefits in the event of unemployment; it is not designed to provide all Canadians with a minimum level of income; nor is UI designed to redistribute incomes on a vertical basis. The risk associated with unemployment is not simply the risk of deprivation in an absolute sense; it is the risk of losing the standard of living that has been established on the basis of pre-unemployment earnings. This risk remains unaltered no matter how many earners there are in a family." (Canadian Labour Congress, written brief)

If regionally extended benefits were replaced by a separate earnings supplementation program and appropriate economic development initiatives, Unemployment Insurance could serve its legitimate social insurance role. The role of Unemployment Insurance is to stabilize a person's income in some measure. Any attempt to make Unemployment Insurance do more will lead to inconsistencies and inequities.

The removal of regionally extended benefits, along with other changes recommended in this report, could make available approximately $3 billion to help fund an income supplementation program and the other human resource development programs proposed here. What proportion of these savings should be used for supplementation and what proportion should be devoted to educational upgrading or community economic development initiatives is a matter for debate and decision by politicians. There is no single best answer to these choices.

A Canadian Earnings Supplementation Program

An income supplementation program cannot be discussed in isolation. The characteristics of any supplement will depend on a multitude of features in social security benefits and in the tax system that materially affect its adequacy, its cost and the distribution of benefits.

"If remuneration from employment is not enough, it is to be supplemented by other means of social protection. Everyone has a right to a standard of living adequate for the health and well-being of himself and his family." (Saskatchewan Association on Human Rights, Regina hearings)

"What we believe we are doing is talking about two different things: one being a program that was designed to provide insurance for a period of short-term layoff or short-term unemployment; the other being a government social agenda that has caused that program to depart significantly from what it was originally intended to be. If our intention is to turn UI into a social program, then let's come out and say that this is no longer an insurance scheme – this is a government social program; we are going to fund it from general revenues and we are going to tax you on that basis." (Western Grain Elevator Association, Regina hearings)

Four provinces already have supplementation programs and all provinces are vitally interested in any program that might help unemployed employables who now depend on social assistance. The introduction of any supplementation plan should presumably follow federal-provincial discussions and should result in bilateral or multilateral agreements that reflect different provincial concerns. Thus, it might be appropriate to consider a group of supplementation plans instead of one uniform plan applicable across this diverse country.

Any earnings supplementation plan should improve the options open to a person struggling to establish self-sufficiency through participation in the labour force. It should be designed to ensure that an individual's total income goes up significantly when earnings are increased and should have a low and consistent tax-back rate. Instituting a new Canadian Earnings Supplementation Program would involve major reform in one sector of the income security system and would improve the integrity of the Unemployment Insurance program by allowing it to return to its appropriate role as social insurance.

It is generally accepted that better education contributes to a better life. Education enhances the ability to alter one's course in a rapidly changing world. While the unemployed need to improve their chances of getting into the work force, the employed need to maintain their employment in the face of changing skill demands. The inability to foresee the future with precision and certainty only strengthens the importance of being prepared.

"In many cases over the past number of years they have trained people for jobs that don't exist." (New Brunswick Federation of Labour, Moncton hearings)

Canada's capacity to adjust to change, particularly the kind of change that is generated by competition in world markets and by technological advances, is inextricably linked to the ability to develop an appropriately educated and trained labour force. The country needs people with skills and the capacity to adjust effectively to changing requirements. Failure to respond to this challenge will result in lost opportunities for all Canadians and will doom the least successful to a marginal existence on Unemployment Insurance and social assistance. It is therefore essential that education, training and retraining form the foundation of an integrated approach to the development of the nation's human resources.

"The dropout rate before graduation from high school is as high as 50 percent and that really is a bit of a shocking statistic." (Canadian School Trustees' Association, Ottawa hearings)

Many participants in the hearings saw grave problems in the way that the educational system prepares Canada's youth – or rather fails to prepare them – for the labour market. Youth between the ages of 15 and 24 account for 36 percent of total unemployment and only 21 percent of employment. An even greater concern, however, is the likelihood that youth who are unemployed may remain ill equipped to function in the labour market for many years to come. There is good reason to place some faith in education as a factor in reducing unemployment. Census data for 1981 show that, for those without high school diplomas or equivalent trade certificates, unemployment rates were 72 percent higher than the rates for other groups with those qualifications or better. A determined effort to raise the level of schooling at the secondary level could pay high dividends.

"In Thunder Bay the level of functional illiteracy has been assessed to be as high as 30 percent. And in the small communities outside of here it is often quite a bit higher. So people do not understand the forms." (Kinna-Aweya Legal Clinic, Thunder Bay hearings)

Young people who drop out of school before graduating risk joining the ranks of those whose employment is likely to be marginal, part time and sporadic. They are prime candidates for long-term unemployment. These young people need a comprehensive program that will allow them to attain education, skills and work experience. This program needs to be flexible, locally based, and to combine education and work experience. For young Canadians who lack the necessary educational and employment skills for steady and satisfying work, the development of a Youth Opportunities Program would provide an alternative to unstable

"The average age of the recipients of social assistance is dropping like a stone. A full 35 percent of our recipients are now under the age of 24." (Regional Municipality of Ottawa–Carleton, Ottawa hearings) and low-paid work, unemployment and social assistance – an alternative to frustration and dependence. It would be targetted at those lacking the necessary academic qualifications and interest, and would give them an innovative second chance to develop their capacities.

"Reports from field staff also show that an increasing number of young people are in the 'high risk' category – undereducated (severe difficulties in literacy and numeracy), delinquent, etc." (OPCAN, written brief)

In addition to helping more youth complete high school, something must be done to help the millions of adult Canadians who are functionally illiterate. The inability of almost a third of the adult population to deal with language, numbers and concepts at the necessary level has considerable human and economic costs. A concerted campaign to eradicate illiteracy and innumeracy should be undertaken.

At the public hearings, employers stated that they needed workers with general skills, able to adapt and learn new technical skills as job requirements change. This suggests a shift away from the current emphasis on specific skills training to a concentration on ensuring that all workers have the ability to learn new skills and to handle problems and thus to adapt to changing demands in the labour market. Training programs and funding arrangements should be modified to assign high priority to providing courses in functional literacy, basic training for skill development, and educational upgrading; to recognize programs that enable functionally illiterate workers to gain basic literacy skills as a legitimate component of on-the-job training; and to replace the current funding system with an arrangement that will increase the relevance and responsiveness of training institutions to the labour market.

"When Wayne Tebb visited a lumber camp in northern Ontario five years ago, he noticed a large number of workers were wearing bandages. Ironically, confided an embarrassed foreman, the injuries coincided with the company's new safety campaign. He went on to explain that management had been puzzled – until it realized that the workers had been imitating the illustrations on the safety posters: they had been unable to read the messages printed underneath telling them *not* to do the things shown." (Morton Ritts, "What if Johnny Still Can't Read?" *Canadian Business*, May 1986, p. 55)

Section 39 of the Unemployment Insurance Act provides benefits to recipients who undertake full-time training in courses approved by the Canada Employment and Immigration Commission. Many participants at the hearings criticized the limited scope of Section 39 and the consequently rigid criteria for skill-training courses available to claimants. Merely loosening the strictures of Section 39 is not a satisfactory answer to the problem. Employment training is a valuable activity for all unemployed Canadians, and it should not be funded directly from employer and employee premiums nor limited to those who qualify for Unemployment Insurance benefits.

"In the Territories we are training people – supposedly on the assumption that they are going to gain employment. And we find that we are training truck drivers and there are no jobs. Either there are no trucks or there is no use for the trucks. So maybe the problem is that there has got to be a relationship between training and what we are training people for." (Yellowknife Chamber of Commerce, Yellowknife hearings)

The choice of a future, for individuals and for Canada, can be greatly enhanced through investment in education. For the individual, developing literacy and employment skills will improve opportunities in the labour market. Upgrading the basic skills of the labour force will improve Canada's ability to compete internationally. The suggested mix of remedial and preventive recommendations will require additional resources. Efforts to achieve a minimum standard of education, to eliminate adult illiteracy, and to establish a Youth Opportunities Program would be appropriate uses for some of the savings generated by the proposed design of the Unemployment Insurance program. Money spent on education is a wise investment.

Gail Morriscey, Welder, Ottawa, Ontario

Ms. Morriscey is a woman who successfully used the Canada Employment and Immigration Commission's career counselling and training programs to learn skills in a non-traditional occupation and increase her opportunities in the labour market.

I've been a waitress, sales clerk, cashier . . . even worked in construction and demolition. When I was 22, I wanted to find an occupation but didn't know what to choose. I went to Manpower, took three hours of tests, and spoke to a counsellor. The counsellor exposed me to all the kinds of things I could do and told me that I could do especially well in either drafting or computers.

First I thought I'd try drafting. I upgraded my math and passed grades 11 and 12 . . . But after waiting two years to get into community college, I wasn't getting anywhere. I went to Manpower and spoke to the counsellor again and this time she got me into the INTO[a] program. From all the choices that we discussed in those classes I decided that I was interested in trades. I went into the welding shop and I guess that really struck something with me . . . I really liked it. So then I took welding under the WITT[b] program.

Now I'm a member of the women's advisory committee for the WITT and PATH[c] programs at the community college where I took the courses. We review the courses themselves, make suggestions, volunteer time a couple of times a year to help the program and people coming after us.

At the beginning of my training I worked part time as a waitress and received a training allowance. But the later programs were quite a handful . . . There was too much pressure . . . So I stopped working and collected UI.

Deciding to become a welder hasn't paid off for me financially, but that doesn't mean that all the trades are that way. I have been welding for close to two years and I'm getting to the point where it's difficult to move ahead. In Ottawa, without a union a good welder with a lot of experience would be lucky to make $9.00 an hour . . . I don't make that much. And the working conditions aren't very stable. So now I'm thinking of doing something else.

I'm still thinking non-traditional in my head, because of the schooling, the training and all the knowledge I've gained from the programs. I really am glad I took them . . . I feel I'm sort of one step ahead of a lot of other women . . .

The counsellors were there if I ever needed to speak to them. I am glad to have had the financial support. That made quite a difference. It would have taken me a lot longer to go through things without that. But this time, I don't really want to take a training allowance or anything like that. I'd like to do it myself if I could. I feel that Manpower has helped me quite a bit and I don't want to continue relying on them to retrain me.

I recommend non-traditional occupations to other women, especially when I know they're working in dead-end jobs. I feel that I can take things that are challenging. I've got a different attitude now . . . It's more positive. I feel that I can handle a lot more.

[a] Introduction to Non-Traditional Occupations.
[b] Women in Trades and Technology.
[c] Path into High Technology.

Serge Martineau, Audio-Visual Communications Specialist, Montréal, Quebec

Mr. Martineau discusses the inequities of wage subsidies and the dead-end nature of many job creation programs.

After I got my bachelor's degree in communications, I was lucky enough to get a one-year contract as a radio producer right away. Unfortunately, after six months my job ended because of budget cuts and I ended up on Unemployment Insurance. For me, Unemployment Insurance represented a temporary stage before finding another job in communications. I gradually became less optimistic and began to realize that it might be difficult to find work in my profession as a producer.

One day, out of the blue, the Employment Centre for Professionals and Executives suggested I apply for an unskilled job as a technical assistant in electrotechnology in a local NEED[a] project. That meant going from being a producer, supervising technicians, to being their errand boy.

In spite of everything I accepted the job, with the idea that I could find a way to carve out a place for myself in the company... The job lasted six months. After that, I took courses, worked for a community radio station and worked in various temporary help jobs. At present, I am a housecleaner...

I still resent the way Employment and Immigration treated me. You see, the job they found me paid less than the going rate. I was paid $210 a week, $71 less than other employees performing the same duties. Why? ... Simply because the others were regular employees and I was hired temporarily through the NEED program sponsored by Employment and Immigration Canada. This program in fact helped the employer to lower wages for other employees ... Another participant in the NEED project was a former employee who could get his contract renewed only under the NEED program, and so earned $71 a week less than he got before.

You might say it's better to earn $210 a week than to be on UI ... and in theory, it is. However, when benefits amount to $218 a week, there isn't much incentive to go to work for wages of $210. In fact, the loss is greater than $8 since more deductions are taken off wages than off Unemployment Insurance benefits, and that's not counting work-related expenses like clothing, transportation and food.

Employment and Immigration Canada should be better managed, with more coordination between job creation and Unemployment Insurance programs. They should work it out so that a claimant who goes back to work and stops receiving benefits doesn't have his income reduced, as I did.

[a] National Employment Expansion and Development program.

The future will place more and more demands on Canadian workers to adapt to a changing environment. Public policies and institutional practices will have to become more flexible because of the growing participation of women in the labour force, the effects of declining birth rates, the rising number of single-parent and multiple-earner families, and the aging of the population. Unemployment Insurance must also be adapted to meet new needs arising from these trends.

Flexibility in the workplace means that other patterns of working are possible in addition to the conventional pattern of one person one job, 9 to 5, five days a week, 52 weeks a year except for vacation. It could include work sharing, working part time, working less than 40 hours a week, working less than five days a week, retiring before age 65 or working after age 65. Indeed, since the entire structure of the economy is in transition, more flexible arrangements on the job may ease adaptation to a more stable and thriving economy. In other words, more flexible work arrangements may, in and of themselves, lead to a drop in unemployment and therefore to a more efficient use of Unemployment Insurance.

Adjustment to changing labour market conditions is more likely to affect workers with a substantial attachment to a given firm, workers in rural or less developed areas of the country, workers with inadequate education or out-of-date skills, workers in declining occupations, and older workers. Labour displacement in declining industries and in depressed regions, for example, often involves large numbers of people. It is sometimes in everyone's long-term interest that jobs, plants or workers be relocated, no matter how painful the adjustment may be in the short term for those involved. In spite of its importance, mobility is not a panacea for solving labour market problems. In an economy increasingly characterized by structural unemployment, another key policy element must be the degree of flexibility in labour adjustment.

Special mention must be made of part-time employment because of its growing importance over the last decade. In 1985, over 1.7 million persons – 15.5 percent of those employed – held part-time jobs in Canada; and this trend toward more part-time jobs is expected to continue. Most part-time workers contribute a substantial share of total household income. Earnings from part-time work are needed for essentials, particularly in families with dependent children. Loss of a part-time job can mean real and severe hardship.

In many cases, part-time workers do not receive Unemployment Insurance benefits when they lose a job or are temporarily without

"There is a pool of workers in this country who would voluntarily select the option of working part time, if conditions and benefits in all respects were equal to those of full-time workers. In particular, this is true of some employees in high-unemployment areas, or where there is limited availability of adequate child-care facilities, or for those pre-retirees who may gradually want to ease their way out of the job market." (Economists, Sociologists and Statisticians Association, written brief)

"We view work sharing somewhat differently. We wish, above all, that there were no need for such programs, but our experience has been that many of our members benefitted from these initiatives. For the time being at least, while unemployment levels are so high, we recommend preserving the program." (Amalgamated Clothing and Textile Workers Union, Toronto hearings)

"I think what you have to look at is the amount of overtime last year, because there are people not working in this town and there are people that are getting overtime. Where do you balance it out?" (Burlington Chamber of Commerce, Hamilton hearings)

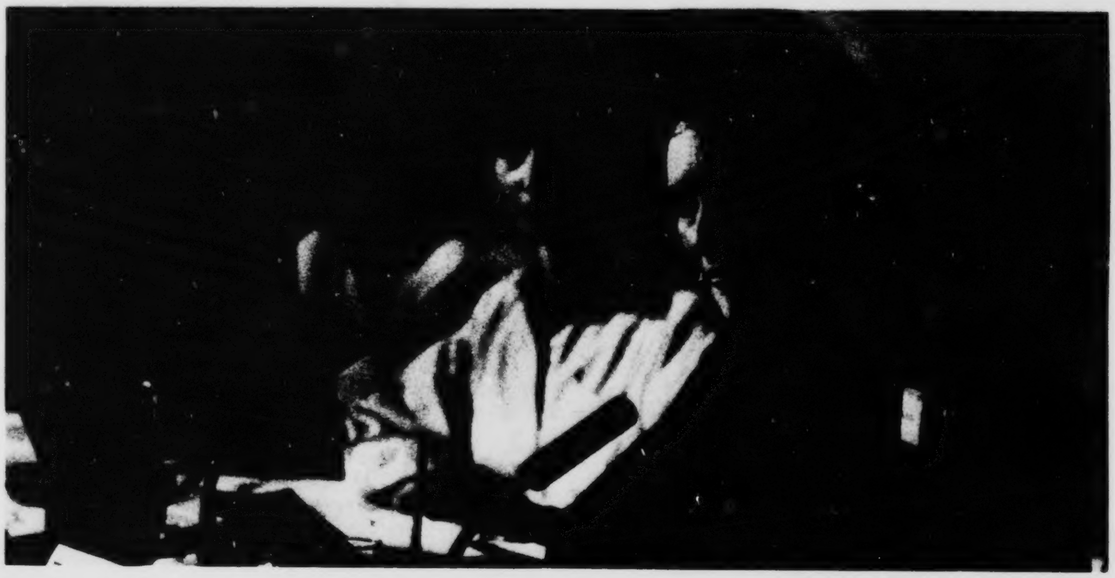
"There are some real shortcomings in the UI Act in the way it provides benefits to part-time workers. The majority of people who work part time are young people who are trying to break into the labour market and women who are trying to re-enter the market. And in the North there may well be a higher percentage of native people in part-time work as well." (Northwest Territories Federation of Labour, Yellowknife hearings)

"We urge the elimination, or at the very least the reduction, of the minimum levels of weekly employment required for part-time employees to qualify for participation in the UI program." (College-Institute Educators' Association of British Columbia, Vancouver hearings)

earnings. Unemployment Insurance regulations require that a person must have worked at least 15 hours a week for the same employer to be eligible for coverage. As a result, in 1985, 6.6 percent of all workers (40 percent of part-time workers) were ineligible for Unemployment Insurance benefits because they worked fewer than 15 hours a week. The average part-time employee works only about 14 hours a week.

This requirement means hardship for the many families that depend on part-time earnings for basic necessities. It is also unfair. A person who regularly works 14 hours a week over 50 weeks will have worked 700 hours by the end of the year. So will a person who works 35 hours a week for 20 weeks. Why is one eligible for Unemployment Insurance and not the other? These issues are particularly important to women, who comprise 72 percent of all part-time workers. To accommodate the growing importance of part-time work, the minimum eligibility requirement should be reduced to 8 hours and the feasibility of providing coverage to all part-time workers should be examined.

Greater flexibility expands the range of genuine personal choice and provides greater freedom for workers. What is needed in the labour market is a flexible approach which facilitates individual choices.



C PHILLIPS
BRUCE SABINE
BERT ROVERS
TONY WOHLFARTH

Unemployment Insurance: Part of the Solution or Part of the Problem?

Canada is seen as a wealthy country with a social conscience, and while Canadians believe that no one should be left to starve, there is debate about how much financial security is enough, about whether Unemployment Insurance is the proper way to provide it, and about who should be eligible for what kinds of income protection. Whether or not to have Unemployment Insurance is not in question. The question is how the program should be designed and what needs it should meet. Most Canadians strongly support Unemployment Insurance as a short-term income security program for those involuntarily out of work, but there is considerable debate across the country about the meaning of ***short-term, income security, involuntarily*** and ***out of work***.

"Provide the option for a four-day work week." (National Council of YMCAs of Canada, written brief)

Throughout the consultations there was universal condemnation of the complexity of the Act and regulations, as well as strong and opposing views on the nature and purpose of the program itself. Some saw the program as attempting to meet too many social objectives and called for a return to insurance principles. Others wanted these social aspects of the program to be expanded. The issues raised in the consultation process focussed the field of debate on the following themes.

The Program Is Unfair

Workers with similar work histories but living in different regions are treated differently. Some part-time workers are not covered because they work for more than one employer. A high-wage worker can work for a short time and receive more in benefits than a low-wage earner who worked for much longer, even though they earned the same and paid the same premiums in total. While some suggested special provisions for special groups, briefs and presentations emphasized again and again that those in similar situations should receive similar benefits. One single issue generated far more response from the general public than any other – the January 1986 changes to Unemployment Insurance regulations by which pensions are treated as earnings while on claim, reducing benefits for many claimants.

"Anyone who is covered by the plan pays premiums into the plan and should be treated with equity rather than being used as an exception." (Alberta Teachers' Association, written brief)

The Program Has the Wrong Incentives

The present system discourages individuals from accepting a new job at lower pay. For workers, there are diminishing returns for working more than the minimum number of weeks needed to qualify for benefits and disincentives for accepting temporary work while on claim. For businesses, the system makes it easier to lay off workers than to share the work. We were told about industries which use Unemployment Insurance as part of their regular business plan – the "regular layoff

"The system invites numerous abuses which are, in fact, perfectly rational responses to a perverse system which encourages a dependency syndrome and gives credence to the notion that there is a right to public assistance." (Chambre de commerce du Québec, written brief)

syndrome." We were told about the "10-week syndrome" – governments, employers and employees in some areas cooperating to ensure that as many in the community as possible get 10 weeks of work in order to qualify for 42 weeks of benefits.

> **"In many of these communities, Unemployment Insurance and social welfare are interchangeable and you go from one to the other. That is just the way it works. They are a package. In fact, you know very well that provincial governments organize programs to get people off social welfare – 10-week work programs and that – so they can get them onto the federal payroll as opposed to the provincial payroll." (Canadian Pulp and Paper Association, Ottawa hearings)**

> **"Regional benefits are the source of the greater part of the incentive problems in the current Unemployment Insurance system. To reduce the extent of these problems, it is necessary to restore a closer link between time worked and the length of eligibility for benefits." (Fisheries Council of Canada, written brief)**

It's not an Insurance Program Anymore

Regionally extended benefits were seen to be a system of income supplementation or redistribution, not social insurance. The reference to "social insurance principles" reflected real and important concerns across a wide spectrum of views. For employers, it meant a responsible and solvent Unemployment Insurance program. For employees, it meant a program based on earned entitlements and, hence, protection against the stigma of welfare – in other words, it meant self-respect. Debate about which risks should be insurable focussed on the issue of providing benefits to seasonal workers, to those who leave their jobs voluntarily, and to the self-employed. Some participants also questioned the provision of benefits for maternity and sick leave, for training programs or for job creation purposes.

> **"The concept that the person who pays the freight should have some influence in how the goods are delivered applies here, and our membership would feel that way. (Saskatchewan Chamber of Commerce, Regina hearings)**

The Government Runs the Show

Employer groups and labour unions both expressed a strong desire for the program to be returned to the control of employers and workers. Greater freedom from government control was seen as necessary in order to re-establish the integrity of Unemployment Insurance as a social insurance program and make it more responsive to the needs of its clients.

The Program Is Administered Inefficiently and Delivered Insensitively

The need to accept Unemployment Insurance benefits is an unhappy experience for most individuals. Their unhappiness mounts when their needs and feelings are ignored, when they find the system confusing, when decisions about their eligibility for assistance seem arbitrary, when cheques are delayed, when errors are made, and when appeals can take months or years and decisions are handed down with little explanation.

> **"Humanize the administration of Unemployment Insurance: humiliating interviews, lengthy delays in processing, incomprehensible benefit structures, meaningless job search requirements, inadequate appeal procedures and lack of funding for unemployment centres do absolutely nothing to improve the situation, but only increase alienation from government and government agencies." (Canadian Union of Public Employees, written brief)**

The difficulties of those working in the system were apparent, as were those of employers. Both complained about the complex and confusing nature of the legislation, regulations and policy directives. The Record of Employment was identified as a significant source of errors and delays, a form which takes up an inordinate amount of employers' time, and that of Canada Employment Centre staff. Its complicated definitions and confusing procedures have become a symbol of the inadequacies of the program for many employers.

Any reform must start from a given situation. Unemployment Insurance at present incorporates a relatively low entrance requirement. In most of Canada, claimants must have worked 10 of the previous 52 weeks. It also incorporates – also fairly generally across the country – a maximum benefit duration of one year. These are two features of the program to which Canadians are accustomed and which are very important to many of them. Not every Unemployment Insurance system in the world has these two features. Their adoption in Canada was to some extent an arbitrary decision, but they have become such familiar characteristics of the program that they constitute the starting point for any proposal for reform.

"Seasonal workers may put in long hours over a short period of the year, earn a good income, then draw benefits during their idle period. This practice goes directly against the original intention of the Act, which was to provide assistance to bind over those in between jobs." (Stewart Sutter, written brief)

The reasons for a one-year maximum duration of benefits are probably more valid now than when it was first adopted. The continuing and profound structural changes in the economy and in the labour force have created a greater need for longer-term income maintenance. There is no reason to believe that this need is artificial or the benefits abused. The difficulty that some individuals experience in returning to employment is genuine and one year of benefits is needed. The knowledge that protection is there is what gives meaning to the term "social security." Furthermore, one year of benefits is not inconsistent with the practices of other industrialized countries. In some countries where Unemployment Insurance benefits are limited to six months, they are normally followed by an unemployment assistance program, similar to an income supplementation program.

"We feel that this is an essential first step in philosophy, that Unemployment Insurance again be established for what it should be, an insurance benefit which is a person's right to claim, based on past contributions, with appropriate eligibility requirements and limitations related solely to involuntary loss of employment. We believe it essential to establish firmly again in people's minds that this is not a program for redistribution of income, an easy substitute for available gainful employment or a vehicle to avoid contributing meaningfully to society." (Mechanical Contractors Association of Canada, written brief)

The second characteristic of the current program is the low entrance requirement of 10 weeks for most regions. Some systems – notably in the United States but also in Europe – incorporate a six-month entrance requirement, very much like the 20-week entrance requirement proposed by the Macdonald Royal Commission. In effect, that requirement disqualifies almost all short-term and seasonal workers. These are examples of an approach to coverage that relies upon setting up different categories of workers and subjecting them to different rules. The current program, however, also places workers in categories, as illustrated by the complicated structure of variable entrance requirements and the multiple benefit phases. These categories create unfairness and complications that make the program obscure and difficult. For these reasons, the proposed reform rejects the practice of placing workers into many categories, each with different rules, and supports an open program with a low but uniform entrance requirement.

"The main goal for a construction worker today in this region is to obtain 10 weeks of full employment so that he can qualify for benefits for the rest of the time while he is waiting to get his next job." (Cape Breton Island Building and Construction Trades Council, Glace Bay hearings)

What is important to realize is that the need for a program with both long benefit duration and low entrance requirements creates a difficult problem. Once the worker categories and complex rules are eliminated, a new approach called "Annualization" appears distinctly as the best answer – and is indeed the only way to reconcile these two characteristics within the context of a viable and affordable program. The virtue of the Annualization approach is that, in its reliance on a uniform rule, it effectively relates total benefit entitlements to the length of each worker's attachment to the labour force. A low entrance requirement is retained and so is a long maximum benefit duration but, by linking past earnings (and hence past contributions) to total benefits payable, it can dispense with categorization and complicated rules.

"Insurance benefits should be payable only to employees with an extended connection to the paid work force, with the length of benefit entitlement directly tied to the number of weeks worked during the past year." (Canadian Organization of Small Business, Toronto hearings)

Annualization

The development of the proposed new approach was guided by the desire to preserve the essential objective of Unemployment Insurance as a social insurance program that provides temporary replacement of earnings to those who lose their jobs or have their employment interrupted.

Moving to Annualization in the calculation of benefits means basing the benefit level on all insurable earnings over the previous 52 weeks and paying benefits for up to 50 weeks. An additional component of the new program is the Cumulative Employment Account, which will permit workers with long-term employment and Unemployment Insurance contributions to build up additional credits to be used only under specific conditions.

The proposal is as follows:

- There would be a uniform entry requirement of 350 hours of work (roughly equivalent to 10 weeks) which would apply to all workers, including those applying for sickness and maternity benefits, as well as new entrants to the labour force, re-entrants and repeaters.
- Benefits would be based upon average weekly earnings in the preceding 52 weeks and not, as now, on earnings in the preceding 10 to 20 weeks.
- Benefits would be paid in 50 weekly instalments after a two-week waiting period. This would eliminate the current practice of varying the duration of benefits according to weeks worked and regional rates of unemployment.
- During the transition period, consideration would be given to increasing the level of benefits from the current 60 percent to 66⅔ percent of insurable earnings.

"Don't you think that 400 hours of work in a year, whether it is done continuously without sleeping and within three weeks, or whether it is done over 50 weeks, is 400 hours of work? And it should be insurable and allow someone to derive the same benefits?" (Provincial Advisory Council on the Status of Women, St. John's hearings)

The new program would be phased in over a period of four or five years. The transition has been designed in stages so that it can be accomplished gradually as circumstances warrant. One possible method is to move toward Annualization "a quarter at a time." The earnings base for benefit calculation would be 13 weeks during the first stage, 26 weeks in the second, 39 weeks in the third, and 52 weeks in the fourth. In each stage, benefits would be calculated on the basis of average weekly earnings over the period specified, but would be paid over 50 weeks. It is envisaged that full implementation could be effected within five years.

In general, the change from the current system without regionally extended benefits to Annualization would increase benefits for those longer-term workers who are unemployed for a year or more and would reduce benefits for short-term and seasonal workers. These impacts are described in more detail in pages .

The Cumulative Employment Account

Adoption of Annualization would shift the focus of Unemployment Insurance toward full-year workers. It is recognized, however, that even a year of benefits may well be insufficient for the kinds of adjustment that some workers may find increasingly necessary. Older workers who are too young to begin drawing a pension but who are unable to find work because many employers consider them too old to be employable are a particular concern. It is proposed that a Cumulative Employment Account be established to provide assistance to them.

"Older persons who are victims of plant closures: we could list a number of clients who fall into this category. These people are the most deprived, the most disadvantaged of all. Something must be done for them. It is largely a question of adapting current programs which no longer have the scope and no longer answer the need." (Centrale de l'enseignement du Québec, Montréal hearings)

The proposed Cumulative Employment Account would increase benefits for long-service workers. It would allow a long-term contributor to build up credit in much the same way that automobile insurance policies give good drivers a no-claims bonus. Specifically, the Cumulative Employment Account would accumulate at the rate of two weeks for every full year employed. The account would build up slowly and would not be available until after approximately 30 years of employment. A full year would be defined as 2,080 hours, and those who worked for fewer hours in a year would accumulate credits on a prorated basis.

The uses to which benefits could be put would include the following:

- The Cumulative Employment Account could assist workers who suffer a number of layoffs in quick succession after many years of steady employment with the same company. Workers in this situation could choose to use the Cumulative Employment Account to top up their benefits to 66⅔ percent of their average weekly earnings over the previous five years.
- Workers could use their Cumulative Employment Account within 13 weeks of a layoff to top up benefits to 80 percent of their previous insurable earnings or to extend benefits to allow them to undertake training, retraining or educational upgrading; or to move to an approved location for employment or upgrading.

By its nature, the Cumulative Employment Account would pay benefits only after many years. In order to ensure that benefits become available immediately, it is proposed to start with a phasing-in period in which benefits would be based on the records of the Canada and Quebec Pension Plans, which go back to 1966.

The Impact of Changes

The Commissioners agreed, and repeatedly confirmed at the hearings, that this Commission of Inquiry should avoid becoming a pressure group lobbying for either lower or higher public expenditure in this area. It concentrated instead on ways to ensure that the money now devoted to Unemployment Insurance and related programs be more efficiently spent and fairly distributed.

The recommendations of this report, taken together, represent a fundamental shift in government responses to the problems of unemployment. These recommendations embody the view that Canada must invest in human resources and free funds to do so. With regard to Unemployment Insurance itself, the new approach restores equity, integrity, clarity, and administrative simplicity to the program. It also improves work incentives and provides broader coverage. While the new approach pays lower benefits to some classes of claimants, this can be termed a loss only if one assumes that Unemployment Insurance is the only way to help the unemployed.

The various human resource policies already described – and in particular the proposed initiatives in the area of regional and community economic development, education and training, and income supplementation – could easily cost more in combination than the savings resulting from a reform of Unemployment Insurance. The benefits to individuals and provincial economies are no less real – and a good deal more durable – than Unemployment Insurance benefits. This report makes no assumption about the particular combination of all these programs that governments might decide to implement. It merely points out the need for these programs and the financial resources which could be made available by changes in the current Unemployment Insurance program.

Among the reasons why precise recommendations are not made is that appropriate solutions to the problems of unemployment are more likely to emerge at the provincial or local level than at the national level. This means that there must be greater flexibility in the way that funds are allocated among different initiatives. In one region, earnings supplementation may be the most appropriate priority, whereas in another community economic development may be the most pressing need. And the appropriateness of various elements is likely to change over time. The details of the programs must be worked out through bilateral federal-provincial negotiations on a comprehensive human resource development strategy.

Figure 4

Estimated Effect of Annualization by Weeks of Insurable Employment

Weeks of insurable employment	Number of beneficiaries in current program	Current Program	Annualization	Change
		Benefits paid ($ millions)	Benefits paid ($ millions)	
Under 20	419,000	2,000	580	–71%
20–29	573,000	2,500	1,250	–50%
30–39	333,000	1,210	870	–28%
40–49	524,000	1,180	1,120	–5%
50 & over	434,000	2,070	2,260	+9%
Total[a]	2,084,000	8,970	6,090	–32%

[a] Totals may not add due to rounding.

Note: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G of the full report for additional information.

Figure 5

Estimated Effect of Annualization by Duration of Unemployment

Duration of unemployment (weeks)	Number of beneficiaries in current program	Current Program	Annualization	Change
		Benefits paid ($ millions)	Benefits paid ($ millions)	
1–10	367,000	260	200	–23%
11–20	359,000	830	590	–29%
21–30	362,000	1,440	920	–36%
31–40	350,000	2,030	1,160	–43%
41 & over	524,000	4,410	3,210	–27%
Total[a]	2,084,000[b]	8,970	6,090	–32%

[a] Totals may not add due to rounding.

[b] Includes claimants with benefit duration of zero weeks.

Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G of the full report for additional information.

Figure 6

Estimated Effect of Annualization by Province

	Number of beneficiaries in current program	Current program	Annualization	Change
		Benefits paid ($ millions)	Benefits paid ($ millions)	
Newfoundland	91,000	460	220	–52%
Prince Edward Island	17,000	90	40	–56%
Nova Scotia	83,000	380	240	–37%
New Brunswick	91,000	470	240	–49%
Quebec	628,000	2,890	1,890	–35%
Ontario	616,000	2,160	1,620	–25%
Manitoba	68,000	270	200	–26%
Saskatchewan	55,000	220	160	–27%
Alberta	177,000	740	570	–23%
British Columbia	252,000	1,260	890	–29%
Total[a]	2,084,000	8,970	6,090	–32%

[a] Total includes territories. Totals may not add due to rounding.

Notes: For regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G of the full report for additional information.

Figure 7

Estimated Expenditures under Current System and after Full Implementation of Proposed Program

(Millions of 1985 dollars)

	Current Program		After Full Implementation
	Unemployment Insurance Account	General Revenue	Unemployment Insurance Account
Program expenditures			
Regular benefits	6,170	–	6,090
Regionally extended benefits	–	2,800	–
Sickness benefits	221	–	221
Maternity benefits	437	–	437
Work sharing (Section 37)	13	12	25[a]
Retirement benefit	22	–	–
Pension provisions	–	–	100[b]
Fishing benefits	–	180	–
Job creation (Section 38)	71	62	–
Training (Section 39)	126	109	–
Cumulative Employment Account	–	–	700[c]
Increased coverage of part-time workers	–	–	100[d]
Non-program expenditures			
Administration	1,000	–	1,000[e]
Interest	500	–	500
Total	8,560 +	3,163 = 11,723	9,173

a Existing work sharing would be funded entirely from premiums.

b This was the amount saved by the changes instituted in January 1986. It is therefore an overestimate of the cost of the proposed change.

c The costing of this kind of initiative is necessarily imprecise. The current estimate of $700 million is based on the assumption that 70 percent of exhaustees over age 55 would receive one year of additional benefits at $15,000 a year.

d This estimate is derived by assuming that part-time workers with between 8 and 14 hours have the same unemployment rate (an underestimate) and the same insurable earnings (an overestimate) as all workers so that the cost of this initiative is 1.2 percent of program costs.

e No account is taken of reductions anticipated due to recommended changes in administration.

Source: CEIC *Statistical Bulletin*. Estimates prepared by the staff of the Commission of Inquiry on Unemployment Insurance.

As Figure 4 illustrates, Annualization greatly reduces benefits for those with only a few weeks of work and increases it for those employed for the full year.

The switch to Annualization progressively reduces benefits the longer unemployment lasts, up to 40 weeks. Beyond that, benefits are reduced by a smaller percentage, as shown in Figure 5. Thus, Annualization is least severe on those unemployed for short periods and those unemployed for very long periods.

Figure 6 shows how Annualization would affect provincial incomes. Quebec and the Atlantic provinces would suffer above-average losses, while losses would be below average in the rest of the provinces. In each case, the amount "saved" would be available in each province to fund other initiatives, as determined by the federal and provincial governments.

The overall financial consequences of the changes are summarized in Figure 7. Expenditures on Unemployment Insurance were close to $12 billion in 1985. The elimination of regionally extended benefits, the switch to Annualization, and the introduction of the Cumulative Employment Account would mean that just over $2.5 billion would be available to fund the range of initiatives which constitute the proposed human resource development strategy. This would be augmented by some $570 million from existing short-term job creation programs. Thus, the overall total of funds available would be about $3.1 billion.

As a result, provincial economies would continue to receive the same amount of funds as under the current program, but much of it would be transfers for earnings supplementation and community economic development and training, rather than transfers to individuals in the form of regionally extended benefits. It is estimated that provincial government expenditures on social assistance could rise on average by 5 percent over a period of at least five years. But the introduction of an income supplementation program would more than compensate for the increase.

In this regard, the report does draw a very strong conclusion. It is that Unemployment Insurance should no longer act as a form of income supplementation because the needs of the unemployed, and indeed of the whole economy, are much more fundamental than that. The unemployed need jobs, income assistance, skills and a broader range of options. Providing these is a better investment than current expenditures which are a form of income support.

Michael Broadhurst, Hotel Manager, Calgary, Alberta

Mr. Broadhurst's comments reflect many of the concerns raised by employers during the consultations.

What I have to say about UI is the result of many years of experience in the hotel business in Canada, but I want to emphasize that it's my own opinion.

For the past two and a half years I have been managing a luxury 400-room hotel in downtown Calgary. Because we cater to business people our busiest times are in the spring and fall, although we certainly get a lot of summer business thanks to the Stampede. . .

The strong opinions I have about UI stem from what can happen after people are hired. Employees have come to my personnel manager and said they want to leave and asked to be laid off so that they can collect UI. Once an employee has said that kind of thing you have serious doubts as to whether their work will be as good as it should be, so some managers think there's no harm done in doing them the favour. But I do . . . I say that's my money. It's not the government that pays UI, but working Canadians.

I wouldn't get rid of UI. I think it's a good program for people who have lost their job and who need help until they find another one. But I don't think dishonest people should get away with living off other people's money for as long as they can. UI Commission workers should be tougher in applying regulations. Even if it cost quite a bit to police the system more closely, it would save money in the long run if it discouraged people from collecting UI when they shouldn't.

UI should be an umbrella to protect people from extreme consequences, not a huge blanket that covers everything. People who are out of work shouldn't have the luxury of refusing available work just because it's not quite in their field. I've been out of work too, and I strongly believe that you take whatever job you can get and look for something better while you're working. I think UI could work better as a top-up system, to bring your wages up to the level of your previous earnings, rather than stopping as soon as you get any kind of job . . . That would encourage people to look for work instead of hanging on to pogey as long as they can.

I think it would be a good idea if the government sent a statement of account for the UI program to everyone at tax time. That way people could see what the deficit is and they would understand that UI is their program – that they pay for it. . . If people had more of a sense that UI was their program, they wouldn't put up with dishonesty and people hanging on to UI instead of looking for a job. UI doesn't encourage good work habits. People quit their job when they don't like it and give up looking when jobs aren't easy to find, because it's easier to draw UI.

If people want to stay in towns where there are no jobs, no industry, they shouldn't expect the Canadian people to keep them there. It's a luxury to live where you can't support yourself. . . I know it's hard for people to leave their home . . . But if there's no work and no money where you live, then you move to a place where there is work and money. It's happening all over the world – people moving from poor countries to places where there's a better chance. That's how Canada was built, by immigrants who worked hard trying to get a better life than the one they left.

Other Reforms

The reader is directed to the Compendium for recommendations on the treatment of vacation pay, severance pay and other lump-sum payments, as well as recommendations on the treatment of earnings on claim, eligibility of claimants involved in labour disputes, penalities for voluntary quits, and requirements that claimants remain available for work and actively search for new employment.

Pensions

"To create more jobs we must look at reducing the retirement age to, say, 55, and transfer some of the cost of the UI program to the Canada Pension Plan and other pension programs so that there are no penalties to the individual for this early retirement." (Corner Brook Chamber of Commerce, written brief)

Because the treatment of pensions was the subject of so much concern in presentations to the Commission, this issue will be discussed in greater detail. The development of recommendations regarding the treatment of pension income under Unemployment Insurance was influenced by the fact that the whole question of retirement and retirement policy is changing rapidly. The Canadian Charter of Rights and Freedoms prohibits discrimination on the basis of age; age 65, for example, may no longer be a basis for mandatory retirement. Actuarial adjustments in benefits for those who wish to retire early or late are already taking place in both the public and private sectors. As a result, receipt of a pension is less likely to be synonymous with retirement from the labour force. In this regard, military and police pension plans may be harbingers of things to come.

In examining the treatment of pension income the following considerations should be noted:

- Unemployment Insurance is not a retirement program. Its major function is to protect workers from interruptions in earnings. Therefore, benefits should go exclusively to members of the labour force. Persons who have gone into retirement are no longer in the labour force and should not be covered.
- Receipt of pension income does not necessarily mean that an individual has left the labour force. Consequently, pension income should not automatically disqualify a worker from Unemployment Insurance benefits.
- Changes to the Quebec Pension Plan and similar changes to the Canada Pension Plan and private pension plans may make it increasingly common for workers to have pension income while they remain in the labour force.
- This increased flexibility means that individuals who choose to retire before age 65 will be able to take an actuarially reduced pension. If, however, they could draw Unemployment Insurance benefits for one year instead of going on pension immediately, they could receive a slightly higher pension for the rest of their

lives. Therefore, it would pay them to use Unemployment Insurance benefits as the first year's retirement income. This could cost the Unemployment Insurance program as much as $1 billion a year.

- Unlike other benefits such as vacation pay and severance pay, which are also paid on termination of employment, pensions continue to be paid and may be considered as deferred earnings.

"We find this totally discriminatory. A pensioner is one who either collectively or personally contributed his own funds for his advantage in his later years. It's like money in the bank. To have this used against him is not only insulting, but it is also plainly and simply unfair. The last thing we need at this time with high unemployment is the postponement of thousands of potential retirees." (Sudbury Mine, Mill and Smelter Workers Union, Local 598, Sudbury hearings).

In the current program, both premiums and benefits cease with the payment of the three-week retirement benefit at age 65. Since January 5, 1986, pension income has been treated as earnings. Consequently, many individuals – notably military and police officers who are required to retire from their first career with a pension at a relatively early age – have had to continue paying premiums during their second career even though Unemployment Insurance benefits may be small or non-existent during a subsequent period of unemployment because of the treatment of their pension income. Since age may soon not be a criterion for retirement and pension plans are becoming more flexible, it is likely that more people will be in this position in the future. This conflict, therefore, has to be resolved by developing a way for the Unemployment Insurance program to deal equitably with pension income.

The proposed solution treats pension income in two different ways. The first treatment of pension income applies if the pensioner is unemployed when he or she takes the pension. If a person who served in the military became unemployed immediately upon leaving the Armed Forces, Unemployment Insurance would treat the pension as earned income just as in the current approach. The second treatment applies if the pensioner becomes unemployed from a subsequent job. Premiums in that job would be based on insurable earnings less pension income, and Unemployment Insurance benefits would also be based on this difference. Consequently, in subsequent unemployment periods, insurable earnings would be the difference between pension income and the lesser of the new earnings or maximum insurable earnings. It is proposed that these changes become effective in 1989.

Currently, Old Age Security pensions are unconditionally payable at age 65, irrespective of labour force status. The question of the age limits under both Unemployment Insurance and Old Age Security must be considered simultaneously, since they are both elements of the social security system and should be coordinated. Accordingly, the age limit of 65 should be removed as a barrier to Unemployment Insurance eligibility, concurrently with changes in the age limit established in the Old Age Security program.

The Self-Employed: A Special Case

More and more Canadians are creating their own jobs; 10 percent of the labour force now work for themselves. Since 1976, the number of self-employed persons has risen by 27 percent compared to a 19 percent increase in overall employment. The self-employed now number approximately 1.2 million. They too are vulnerable to the loss of their livelihood. They find it difficult to understand why they should be denied Unemployment Insurance and made impassioned arguments for a new, broader program that would extend coverage to them.

Yet the degree of moral hazard presented by the self-employed is incompatible with Unemployment Insurance. Moral hazard is the risk that an individual can create the conditions which permit collection of benefits. All insurance schemes face this risk. Because an Unemployment Insurance program must minimize moral hazard, the needs of the self-employed must continue to be met by means other than Unemployment Insurance. The proposed earnings supplementation program discussed earlier may be more appropriate to the needs of some of the groups of the self-employed who presented briefs to this Commission.

"The self-employed cannot be covered if insurance principles apply, as such an individual has almost complete control over his unemployment." (Canadian Institute of Actuaries, Toronto hearings)

The Views of a Trucker

Exerpt from a letter to the Commission of Inquiry from Lee Silliker, president, Northumberland County Truckers' Association

"The trucker should have the same equal rights as any other persons in the working industry today. He has an employer-employee relationship. He must be hired on any job to work and he must follow the orders given to him by his superior and is subject to dismissal at any time.

"As an independent trucker in the province of New Brunswick, I most certainly know that 30 percent of my gross pay must go towards my livelihood as wages. I urge you to press towards making certain changes in the UI Act to ensure that at least 30 percent of the trucker's gross be used as a base figure for wages and UI, CPP, and Income Tax deductions. This will ensure that all concerned will have a fair and equal share. It will also provide for the trucker and his family in times of need.

"A person involved in the trucking industry has to equip himself with a piece of machinery that can cost up towards $100,000 to try and provide for his family. This person has to endure great hardships at certain times, he has to find work, pay excess taxes and abide by all the different laws of the land. His most important function is to find himself a job to work for someone else. At certain times during the year the trucker finds himself without any income.

"If the individual had become a fisherman, farmer or woodsworker, he would have been able to collect UI benefits. However, because he is a trucker he is unable to pursue this process."

"In discussing the impact of Unemployment Insurance, it is useful to make a few basic points about the long-run implications of UI for the fishing industry. The first is that the availability of UI for fishermen keeps a significant number of fishermen in the industry who would otherwise leave the industry in order to seek a higher standard of living elsewhere. This has the effect of reducing the returns from fishing for all fishermen and lowers the earned income of fishermen. The second is that the availability of relatively generous regional benefits for workers in the fish-processing industry helps to maintain a larger pool of workers for the industry. The third is that the combination of fishermen's UI and regional benefits tends to discourage out-migration from Atlantic Canada and thus serves to maintain earned income lower than the national average. The fourth is that these programs impede the internal restructuring of the economies of the Atlantic provinces, thereby hampering the improvement of their efficiency, productivity and, ultimately, living standards." (Fisheries Council of Canada, written brief)

Fishermen and Unemployment Insurance

Self-employed fishermen were brought under the umbrella of Unemployment Insurance in 1956. The purpose was to provide income support to self-employed fishermen in the offshore fishing industry, particularly on the Atlantic, and to the many coastal communities that depend upon the fishery for their survival. Many factors may affect the level and stability of fishing income – among them, geographic and climatic conditions, the variety and value of available species, market conditions and fishing costs. In the case of some species there are just too many fishermen with too many vessels and too much fishing power chasing too few fish.

Self-employed fishermen are entitled to five weeks of benefits for every six weeks of insurable employment. A week of insurable employment is defined in terms of the net value of the week's catch – that is, the gross value of the catch less operating costs (generally 25 percent). If the net value of the catch in a week is less than the required minimum ($99.00), that week does not count as an insurable week. A fisherman in the Atlantic region may fish for six months and, for reasons beyond his control, be unable to obtain the required 10 weeks of insurable earnings to qualify for Unemployment Insurance.

Problems with fishing benefits, as perceived by the different groups involved, stem from the nature of the program, its inherent administrative difficulties, its inadequacies in meeting the needs of fishermen, and the obstacles that it presents to processors who need a greater supply of fish during the latter part of the season.

Unemployment Insurance was extended to self-employed fishermen not as a form of social insurance but as a means of income supplementation. And yet the program has not met the needs of those it was specifically designed to serve – fishermen with low incomes and with the greatest need, and the communities in which they live. Unemployment Insurance is neither an appropriate nor an adequate vehicle for income supplementation and should be phased out as a means of solving the many problems that influence fishermen's incomes.

"If you should recommend that fishermen or certain classes of fishermen be removed from the benefits of Unemployment Insurance, then you must make that recommendation on the condition that another program is put in place." (Government of New Brunswick, Fredericton hearings)

This Commission of Inquiry is not the first to reach that conclusion. Numerous studies and reviews have subjected fishing benefits to searching scrutiny and have recommended their gradual replacement by a more appropriate mode of support. It is recognized, however, that phasing out these benefits may inflict severe hardship unless an alternative program has been adopted and implemented. Fishing benefits should, therefore, be phased out over a five-year period, and the governments involved should adopt and implement a more adequate response to the needs of not only self-employed fishermen but all who are without adequate incomes. What is required is an effective fisheries policy, a genuine income supplementation program, and a long-term regional/community development strategy.

James Corcoran, Fisherman, St. Mary's, Newfoundland

Mr. Corcoran describes the uncertainty and danger of a fisherman's life and the need for alternative sources of income when fishermen are unable to earn their livelihood at sea.

I've worked in a factory from eight to four . . . You do your thing, keep everyone happy, and then that's it . . . Fishing's a bit different.

If you're trying to make a living fishing you spend as many hours as you can at sea, so waking up at one or two o'clock in the morning and getting back some time the following night or the next night is normal to me. On the open sea there are always hazards . . . There's ice . . . There's weather conditions that can change in hours . . . You can get winds up to 25, 30 knots and it's nearly impossible to fish.

The other day a wooden 55-foot boat went out but she didn't come back. Luckily, the guys were rescued by a dragger and then flown by helicopter to St. John's.

There are different kinds of fishing. There's deep sea, where they fish for about 12 months a year. There's mid-shore, where they fish about 6 or 7 months. And there's inshore, like me. In the late 1970s we got 10 months' fishing because weather conditions were good and there was no ice. But this year I stopped my cod lines after five weeks. The fish came for five weeks and then the water turned cold, whatever . . . I've got five weeks of cod-trap fishing, that's it.

Sometimes I wish I didn't have to depend on Unemployment Insurance. I'd like to work all year round. I'd be delighted if I could step off the boat and go to work in some other occupation. I think the majority of fishermen would feel the same.

You could be packing anywhere from $10,000 to $20,000 worth of gear a year, and with the money we're making, well, you just can't put that out. So the majority of us depend on the people who buy our fish to supply the fuel and our gear . . . which we pay for out of the catch. And they depend on us to catch the fish . . . It might not be a normal relationship, but it certainly is an employee/employer relationship because one depends on the other.

If you work 10 weeks year after year, you have no problem with Unemployment Insurance, it's like clockwork. But to give you an example of what can happen . . . The person you sell your fish to issues your separation slip. Last year they forgot to put my Social Insurance Number on the slip. I waited very patiently, but by the last of November I hadn't heard anything. I was in St. John's, so I dropped into the office to see what the trouble was. I sat in the waiting room for an hour, cooling my heels, watching people drink coffee, walking back and forth. Eventually a lady comes. We went through the whole issue . . . how I qualified . . . 22 weeks insurable earnings . . . everything was fine. But for some reason my SIN was not on the slip. "Oh," I said, "that's no problem, I'll give it to you." "Oh no, sir, it has to come from your employer." "My God, that will take weeks. Go to last year's file." "Oh no, sir, we can't do that. If your SIN is not on the form, we can't process your claim." So I hit the roof, but it probably didn't do any good because my claim was delayed for another four or five weeks.

Still, as a fisherman I wouldn't want to be covered by a separate program. Most of our fish go to the U.S. market. Now the fishermen and the politicians in the U.S. said that Unemployment Insurance was a subsidy to fishermen and wanted countervail duties of something like 20 to 30 percent. But after they investigated, they reached the conclusion that it wasn't a subsidy because it was universal . . . So if some bureaucrat is going to come up with a different program, they are jeopardizing the whole fishery in Eastern Canada . . . not only the fishermen, but the workers in the fish plants and spin-off industries . . . in other words, every community, city and town in Eastern Canada.

Fishermen should be covered under Unemployment Insurance like everyone else. We should be treated the same as any other worker, but for some reason we're not. We don't draw Unemployment Insurance till the last of October and when the fifteenth of May comes – the place could be black with ice – you are automatically disqualified. It should be the same for us as for any other type of working class. It's supposed to be a democracy.

Unemployment Insurance is a great thing, but people shouldn't have to depend on it, and basically that's what it's coming to now. There must be better ways for the future, for our children. Right now, if we want something we've got to import it through some other province or state or country – cardboard boxes, mattresses . . . If I want to buy a tin of mussels I'd probably have to buy it from Denmark, and here we have them on the shore not even being used!

You know, I left Newfoundland in 1960. I worked and travelled all across Canada. During that time I didn't draw Unemployment Insurance . . . I was a jack-of-all-trades. I lived in Toronto for seven years. All my friends were from Eastern Canada. All left home because they couldn't find any work. Now, I don't see why anyone should have to leave Newfoundland, with all the resources we've got. I don't think I'd leave again. We might not have a big limousine to drive in, but I'm sure we'll survive.

The Reform of Program Administration and Delivery

Because employers and employees pay premiums, they naturally feel a proprietary interest in the program and its administration. Big government, however, is not notable for its "user-friendliness," and there was ample evidence of that in the views expressed at the hearings. At times it seemed that, if only the quality of administration and style of delivery could be improved, everything would be well with Unemployment Insurance. But upon further examination of the causes of the frustration and bitterness directed at the bureaucracy, it became clear that staff and administrators were sometimes the scapegoats of a program too complex and too ill conceived to generate anything but discontent. In fact, the patience and dedication of front-line staff at the Canada Employment Centres in exasperating and difficult circumstances is often impressive.

> **"I think anyone of us in this room, if we paid for insurance, and we were responded to by, 'We have had a lot of claims, we're really busy, we've got a backlog, I'm sorry; normally, you should receive your money in four weeks, but because we're busy it's going to be eight weeks'; well, we'd probably either fire the person, shoot the person, strangle them, or go to another insurance company."**
> **(County of Bruce, Social Services, London hearings)**

The problem with the present delivery structure is twofold. First of all, the bureaucracy which administers Unemployment Insurance is not directed or controlled by the premium payers. Employers and employees are viewed as special interest groups, not as proprietors of the program. Second, the federal government's responsibilities for immigration, Social Insurance Numbers, job creation, training and labour market intelligence are broader than the functioning of an effective Unemployment Insurance program. Combining all these services with Unemployment Insurance has created an agency that is overly complex and unmanageable.

> **"The administration of UI is a horrible, inscrutable, paperbound bureaucratic mess operated by weary, disinterested, unsympathetic, paperbound bureaucratic servants, who are vaguely guided by a vast tangle of unpredictable rules, lists and procedures. For some people, actually squeezing the first payment out of the system is a bit like persuading Albania to issue a tourist visa."**
> **(Benetech Canada Inc., written brief)**

It is proposed to establish a new autonomous organization, the Unemployment Insurance Commission, as the mechanism for delivering Unemployment Insurance and employment services. This Commission should operate at arm's length from the government because, when the government is present through its representatives and its financial contributions, it effectively dominates the operation. Unemployment Insurance principles, benefit structure and appeal procedures should be set down in legislation, but the Act should leave room for employers and employees to cooperate in adjusting certain elements of the program. Most important, within broadly defined guidelines, the new Unemployment Insurance Commission should be allowed as much discretion as possible to run its own affairs.

> **"The system is so complicated that one of the biggest complaints is, 'If I don't ask the right question, I don't get the right answer'."**
> **(New Brunswick Federation of Labour, Moncton hearings)**

The proposed reforms of the Unemployment Insurance program will eliminate much of the complexity in the present Act, which employers and employees were unanimous in denouncing as impossible for jurists to understand, much less clients and employers.

"Is this a temporary layoff? Yes. What do we pay him and when? We paid him vacation; he had two weeks in advance. Is that insurable? Maybe. Is there a statutory holiday? Yes. Is that insurable? Perhaps. When? Well, I'll put it this way: if the standard vacation falls within a normal week, as ascribed by the Act, a normal week being Saturday and Sunday, whatever, and it has been assured, therefore, it can be used for a topping-up position, provided it is a permanent layoff and not a temporary layoff . . . So you get into this great morass of saying, 'Now wait a minute, guys. Do you have to have a pink suit on with a blue shoe and a red shoe facing the east at 6 o'clock at night to collect your UI?' This is where we are at right now." (Canadian Payroll Association, Toronto hearings)

The appeal process was a source of frustration for many at the public hearings, more because of the structure and the process than because of the decisions handed down. The current process is highly adversarial. Yet the board of referees is not perceived as functioning at arm's length from the department, does not always apply standard rules of evidence, and is often chaired by persons who lack the necessary legal training and depth of understanding of the program. A revised appeal system should involve a more independent Unemployment Insurance ombudsman/adjudicator at the first level and should allow redress to a board of appeal which operates in a judicial manner.

The sheer size of the headquarters and regional offices was the subject of considerable criticism across the country. The Canada Employment and Immigration Commission has approximately 28,000 employees and is the third largest federal organization. The size and levels of the headquarters staff were perceived to be out of proportion to the kind and value of the services performed. It was suggested that there may be more staff than warranted in highly paid specialist and supervisory roles. The productivity of the claims-processing function was identified as low and the benefit control system was perceived as inadequate. At both the headquarters and the regional office levels, a picture was painted of overly controlled and managed staff, and of a system that serves itself rather than its clients. All in all, it would appear that a significant reduction should be made in the number of staff at national and regional headquarters.

"It used to be that we spent 70 percent of our time serving clients and 30 percent of our time serving headquarters and the regional office. Now it is the reverse. We spend 70 to 80 percent of our time feeding the system!" (Informal roundtable discussions with CEIC staff)

A great deal of attention was devoted to delivery because no matter how well a program is designed, it is only as good as the treatment that it gives to each client. The current program fails in terms of both design and delivery. To rectify the delivery problems, major changes are suggested in organizational structure, program financing, the legal framework (in particular the appeal process) and administrative practices. The reader is again directed to the Compendium for other recommendations to improve the delivery, record keeping and control systems of Unemployment Insurance.

The Courage to Change

The existing policies and programs are not without merit. How else can one account for the widespread desire to preserve the essential features of the Unemployment Insurance program? "What would the country have done without UI?" is more than a rhetorical question. The program is here and will stay. The real issue is whether a better program can be designed.

This Commission of Inquiry was faced with many difficult choices. The views and opinions of individuals and groups in the consultations did not merely differ – at times they contradicted each other. The Commissioners also brought different perspectives and interpretations to the Inquiry. Sometimes they agreed, sometimes they compromised, and sometimes they agreed to differ – and wrote dissenting opinions.

The need for reform is evident and must not be obscured in the debate. Canada cannot afford to continue to suffer the inequities and inefficiencies of its present system. There are those who will benefit from changes to the system and those who may suffer from them. Reforms should be comprehensive enough so that a loss from one aspect of change can be balanced by a gain from another program or policy.

Some elements of Unemployment Insurance reform make sense only in a wider context. We have outlined the important ingredients of a human resource development policy and have tried to show that Unemployment Insurance is one part – but a pivotal part – of this country's income security system. Fundamental reform of Unemployment Insurance is only possible when associated changes take place in these two larger and interlocking areas, but the precise balance of all these components leaves much room for political choice.

This report sweeps away the present variations that plague the system and produce both inequity and complexity. There should be only one entrance requirement, one benefit phase, and one maximum duration of regular benefits. The entire system must be based on a strengthened link between insurable earnings and eligible benefits. This is what an insurance program should do, and it is also what equity demands. All things considered, Annualization is the best answer.

To coordinate and effect all the recommended changes is, quite simply, a monumental task. It will require commitment, persistence, time, cooperation and leadership. Objections, delays, obstacles and complications will abound and must be overcome if Canada is to ensure a working future for her citizens.

CK ROUGIER
STEVE KEMPS
RAY BARTON

This section lists all the recommendations of the Commission of Inquiry and summarizes the basis on which each has been made. The recommendations are designed to restore Unemployment Insurance to its original concept and to place it in the context of a strategic plan for comprehensive human resource development. Each chapter of the full report is briefly described and a short rationale for the recommendations is given. The reader is referred to the full report for further information about each topic.

Chapter 1: What We Heard

Chapter 1 presents a resumé of what participants said during the public hearings about the problems of unemployment and the Unemployment Insurance program. There was strong consensus that Unemployment Insurance is and will continue to be needed. At the same time we were assailed with complaints and grievances about the program. There was virtually universal condemnation of the complexity of the Act and regulations, and strong and opposing positions on the nature and purpose of the program itself. Some saw the program as attempting to meet too many social objectives, and called for a return to the basic principles of insurance. Others wanted these social aspects of the program expanded. The consultation process focussed the field of debate on several issues, including the program's objectives, inequities, incentives, the imbalance between the government's role and that of the premium payers, and inadequacies in the program's delivery.

Chapter 2: Employment and Unemployment

Chapter 2 presents an overview of unemployment, its nature and scope, and the interplay between rising expectations for jobs and the growth in the number of jobs available. The chapter shows that unemployment is a significant problem – a problem which annually affects one in four Canadians who want to work. The risk of unemployment is greater for those with lower levels of education, particularly youth, older workers, and workers in industries, occupations or regions facing structural transformations. Examination of the operation of the Unemployment Insurance program itself shows three patterns of usage that suggest problems within the design of the program. These patterns are specific to short-term workers, those on industrial layoffs with recall, and full-year workers who exhaust their benefits.

What are the needs of the unemployed? Quite simply, they need jobs, money, skills and increased options in the labour market. Meeting all the needs of the unemployed is a task well beyond the scope of an Unemployment Insurance program. Unless reform of the current program is undertaken as part of a broad, integrated human resource development strategy, it can be no more than a token effort, almost certain to fall short of its objective. Part II of the report focusses on the need for a comprehensive human resource development strategy.

Chapter 3: Jobs

This chapter looks at full employment, at employment development strategies and, in particular, at job creation. It is pointed out that the demand for jobs can be met only if there is economic growth and if that growth keeps pace with growth in the labour force. Economic growth, in turn, requires a high and sustained level of investment. In recent years, investment in Canada has not been sufficient to achieve both increased productivity and expanded employment opportunities to match the growth in the labour force. Unemployment can be truly resolved only in an environment characterized by economic growth.

All industrialized countries are finding it difficult to eliminate unemployment. As a result, there is a growing lack of confidence in traditional fiscal and monetary policies. The task of stabilizing the economy at a low level of unemployment is difficult but essential and in attempting to achieve this objective, new solutions to old problems appear necessary. One possible alternative which has been persuasively argued involves revenue sharing. This entails workers agreeing to accept part of their remuneration as a share of the firm's profits rather than as wages. This approach increases the stability of employment and has been successfully adopted in Japan and Korea and is gaining in popularity in the United States.

Recommendations

1 Economic policies should give high priority to raising the rate of growth of the economy, in recognition of the role of economic growth in creating employment opportunities. Particular attention should be paid to policies that would ensure:

- a high and sustained volume of investment; and
- sufficient improvement in productivity to maintain or improve Canada's competitive position in the world.

2 Full employment should continue to be a primary objective of fiscal and monetary policies.

3 Profit or revenue sharing as a component of total earnings of labour should be encouraged and the treatment of income from these schemes by Unemployment Insurance and Revenue Canada should encourage their introduction.

The problem of regional unemployment is currently approached in two ways. The first is through regional economic development initiatives that attempt to increase the productive capacity of regions by subsidizing industry to locate or expand there. The second is through job creation programs, which are a more temporary response to regional unemployment, involving short-term projects that provide jobs.

Regional economic development policy has concentrated on grafting large firms onto depressed regions. In many of these cases subsidies are required on a continuing basis to offset the inherent competitive disadvantages of these regions. Current programs do not seem to provide much support to the growing service and small business sectors. An attractive alternative would be to invest in increased productive capacity and a higher level of employment by supporting community economic development initiatives such as Community Economic Councils and Community Development Corporations. These community-inspired initiatives have the advantage of building on local strengths, and the employment that they create becomes part of the fabric of the local community.

There is evidence from both British and French experience that the unemployed can be successful in creating their own jobs by starting their own businesses. In cases where the unemployed have a sound business plan, Unemployment Insurance rules and regulations should encourage their initiative.

Recommendation

4

An industrial and regional development strategy should be designed with the following characteristics:

- A substantial proportion of regional and industrial assistance should be directed to new and to small businesses, including those in the non-manufacturing sector.
- Community economic development initiatives should be funded, at least in part, from funds released by phasing out regionally extended benefits. They should be undertaken in a manner that ensures local control and should be widely available to communities in Canada.
- Initiatives that assist the unemployed to start their own business enterprises should be encouraged.

Job creation programs have come in all shapes and sizes and have been designed with the best of intentions to meet a large number of specific problems. They have always been considered a "temporary" response to an unemployment crisis. The projects undertaken, however, have failed either to counterbalance the economic depression of the various regions or to improve the employability of participants. In addition, these initiatives have been plagued by changing federal priorities, lack of coordination among the various levels of government, and political pressures for constituency funding. What is needed is more long-term planning and the creation of jobs of long-term value to the community. All projects should be evaluated and the results made public.

Recommendation

5

Short-term job creation programs should be eliminated and the funds redirected to longer-term employment programs. These programs should:

- focus on jobs with a long-term value to the participant and community, rather than on short-term make-work jobs;
- eliminate the constituency basis of funding; and
- set aside a portion of program budgets for analysis by independent researchers to determine whether their objectives have been met. The results of these evaluations should be available to the public.

Under Section 38 of the Unemployment Insurance Act, benefits may be provided to participants in approved job creation projects for up to six weeks after the project ends. Although there are many problems with Section 38, the basic one is that it is not an appropriate feature in an Unemployment Insurance program. Job creation should be supported directly from general revenue and should be open to a wider group than just those receiving benefits. Individuals who have already exhausted their benefits, for example, may be in even greater need of assistance than those still receiving Unemployment Insurance.

Recommendation

6 Section 38 (Job Creation) of the Unemployment Insurance Act should be rescinded.

Chapter 4: Money – The Need for Income Security

This chapter outlines Canada's income security system and the role of Unemployment Insurance within that system. Income security programs in Canada can be divided into three distinct categories or tiers. Tier 1 consists of income support programs (such as social assistance and the Guaranteed Income Supplement). Tier 2 includes income supplementation programs (such as Old Age Security, Family Allowances, the Child Tax Credit, and programs operated by certain provincial governments). Tier 3 consists of social insurance programs (such as Unemployment Insurance, the Canada and Quebec Pension Plans, and Workers' Compensation).

Income support provides financial assistance to individuals and families who have little or no other income. Income supplementation provides income assistance to low-income earners to minimize the effect of an inadequate income. Social insurance programs provide some measure of income replacement in the event of various contingencies such as unemployment, sickness or injury.

Unemployment Insurance is the cornerstone of income security in Canada. It was originally designed, in 1940, as a program of temporary assistance to workers who are between jobs. With the haphazard addition of functions over the years, to cover new situations and serve new needs, the program has expanded far beyond this. As a consequence in some parts of the country it is now part of a regular pattern of income from seasonal or short-term employment, unemployment benefits and, for some, social assistance. In some cases, benefits actually exceed the earnings that they are intended to replace, due to the provision of regionally extended benefits. Thus, Unemployment Insurance has become a major element of income or earnings supplementation.

Unemployment Insurance is poorly designed to undertake the function of supplementing income because benefits are not income tested, Unemployment Insurance is directed to the individual rather than the family, and benefits are based on previous earnings rather than need, with higher benefits going to higher earners rather than to the needier. Only 11 percent of Unemployment Insurance benefits go to families with incomes of less than $10,000, and almost 20 percent go to families with incomes greater than $40,000. It is simply not a good instrument for income redistribution.

Regionally extended benefits, funded by general revenues rather than premiums, were introduced to provide supplementary assistance in specific regions with particularly high unemployment. Over time, however, unemployment has risen throughout Canada so that regionally extended benefits have been paid in every region since 1981. Consequently, these benefits are no longer part of an economic adjustment plan directed toward areas with unusually severe problems; they have become a kind of temporary social assistance/income maintenance plan for those who can find at least 10 weeks of work per year.

Regionally extended benefits are considered by many to be an essential element in regional economies. These benefits, however, attack the symptoms rather than the underlying causes of unemployment. Eliminating regionally extended benefits would free up some $2.8 billion which could be directed to correcting the causes of unemployment and providing earnings supplementation to those who need it. It would be irresponsible to give serious consideration to removing regionally extended benefits without providing an income supplement to workers faced with economic hardship and without providing development funds to regions and communities suffering from the impact of economic forces well beyond their control.

A federal Earnings Supplementation Program cannot exist in isolation, distinct from developments in other social security benefits, the tax system or provincial initiatives. Four provinces have income supplementation programs and all provinces are vitally interested in helping low-income families. What may be needed is a group or series of supplementation plans, reached through federal-provincial agreements, to reflect the differing provincial concerns.

An Earnings Supplementation Program which helps those who have some income differs fundamentally from a guaranteed annual income which helps those who have no other sources of support. An Earnings Supplementation Program should be designed to increase a person's income when earnings increase and the program should have a low and consistent tax-back rate on income earned while receiving the supplement. A well-designed program would compensate for the effects of phasing out regionally extended benefits. It would be a major reform of one tier in the income security system, and would allow Unemployment Insurance to return to its appropriate role.

Unemployment Insurance plays essentially a transitional role, that of partial income replacement for a specific period during an interruption of earnings. It should serve as a lifeline rather than a safety net – to help people return to stable employment rather than holding them in a pattern of dependence. The many additions to its functions over the years have subverted its essential nature and created unacceptable inequities. This has occurred largely because of the lack of other, more appropriate programs or agencies. Unemployment Insurance should return to its original purpose and other initiatives should now be adopted to assume the functions of income supplementation for low-income families.

Recommendations

7 Regionally extended benefits within the Unemployment Insurance program should be progressively abolished and replaced over a period of four to five years with a range of human resource development programs better tailored to meet the needs of individuals and regions. The range of programs and policies should include:

- an Earnings Supplementation Program;
- economic and community development initiatives;
- education, literacy and basic training programs; and
- policies and programs to facilitate greater flexibility in the labour market.

8 The Canadian government should work closely with the provinces to develop earnings supplementation plans that complement the proposed changes in the Unemployment Insurance program. These plans should ensure that those who participate in the labour force but have inadequate incomes would be eligible to receive a supplement on the basis of total household income rather than individual income. The tax-back rate, when combined with the income tax system, should be less than 50 percent.

9 Unemployment Insurance should provide temporary replacement of earnings in the case of job loss or interruption of employment earnings.

Unemployment results from either job loss or a temporary interruption of earnings. It is as reasonable to cover temporary sickness, maternity or parental benefits as it is to cover temporary layoffs with recall notices. In the absence of another, more inclusive system to protect those whose earnings are interrupted because of maternity, parental or sick leave, it is appropriate for Unemployment Insurance to continue to provide this coverage.

The issue of the "medical yardstick" for sickness benefits caused many complaints at the public hearings. While the use of the medical yardstick as a guide is not disputed, the secrecy that surrounds it is insupportable. Another issue concerns the waiving of the normal two-week waiting period in certain cases of illness. This practice is contrary to the principle of co-insurance whereby the insured and the insurer share the cost of any contingency covered by the insurance.

Maternity benefits have changed over time to provide benefits not only for the mother, but also for parental care. Although in 1984 benefits were extended to adoptive parents, the role of the natural father has not been equally recognized. The provision for a 2-week waiting period and for a total benefit period of 15 weeks should be maintained. A two-tier system would allow parents to decide how long the mother would receive benefits and which parent would assume the initial parenting role. The current restriction limiting the duration of the receipt of special benefits such as maternity and sickness in any combination to a maximum of 15 weeks is unduly harsh.

Recommendations

10.1 The Unemployment Insurance program should continue to provide sickness benefits. It should retain the provision for premium reduction equivalent to the saving to the Unemployment Insurance Account from private disability insurance, but the method of calculating the premium reduction should be reviewed.

10.2 The medical yardstick for determining sickness benefits should be readily available for client reference. The two-week waiting period for sickness benefits should continue and this requirement should be enforced.

11.1 A two-tier system of maternity and parental benefits should be implemented, comprised of:

- maternity benefits available during the period surrounding childbirth; and
- parental benefits available during the period following maternity leave or placement of an adopted child;
- parental benefits should be available to either or both parents (but not concurrently) such that the total amount of benefits does not exceed the maximum available to one parent; this should be made available only to those who are active labour force participants.

11.2 Section 22(3) of the Act should be amended to remove the present 15-week aggregate benefit limit, so that the availability of sickness benefits is separate and distinct from any maternity or parental benefits to which a person is entitled. Maternity, parental and sickness benefits should be available during any phase of the claimant's unemployment spell.

Seasonal factors, layoffs and other industrial practices contribute heavily to interindustry variations in the relationship between contribution and benefits. The result is that industries with stable employment patterns are seen as subsidizing those with less stable patterns. Experience rating has been suggested as a means of reducing, if not eliminating, these cross-subsidies. Evidence shows, however, that on balance its effect would be negligible in affecting the behaviour of firms.

Recommendation

12 Unemployment Insurance premiums should not be based on experience rating.

Chapter 5: Skills – A Choice of Futures

This chapter identifies fundamental inadequacies in the educational and skill level of the work force and examines the role of Unemployment Insurance in that context.

An educated work force is better able to adapt to changing labour market demands and will therefore have a better choice of futures. There are fundamental inadequacies in the educational and training system, however, and this has resulted in inadequate skills among many workers. Evidence shows that those who have not completed high school are much more likely to be unemployed. For this reason, a strategy to help achieve at least high school equivalency is essential. Rather than emphasizing specialized skills training, the focus should be on ensuring attainment of the basic educational level which is necessary for future training and retraining.

To overcome the current inadequacies in the educational system, there is an urgent need for leadership on the part of educators and public policy makers to put aside jurisdictional considerations and deal with the real needs of high school dropouts. It is recognized that high school education is largely within provincial jurisdiction, but the education required for a more flexible and better trained labour force knows no provincial boundaries.

Many adult Canadians are functionally illiterate and lack numeracy skills. The resulting inability of almost a third of the adult population to deal at the necessary level with language, numbers and concepts has considerable human and economic costs. Functional illiteracy is being recognized increasingly by Canadian industry as a major concern. If Canada continues to ignore the illiteracy crisis and fails to mount a cooperative and sustained effort to eliminate it, a large proportion of workers will be limited in their ability to participate effectively in the work force.

Recommendations

13 The federal government should invite provincial governments to undertake measures at the high school level to ensure that a high minimum level of education is achieved by all Canadians and that these measures emphasize:

- flexibility in program requirements;
- the acquisition of general basic skills to grade 12 or an equivalent level;
- cooperative programs that combine work and study; and
- the inclusion of technological content in all programs.

14 The federal government should invite provincial governments to cooperate in mounting a sustained effort to eradicate functional illiteracy and innumeracy among the adult population.

Basic knowledge and skills are fundamental preconditions of a skilled and flexible work force. Changing requirements, and the consequent necessity for the labour force to adapt, demand a greater emphasis on employment training and retraining. Employers repeatedly complained at the public hearings that they could not find workers able to solve problems, and that what they needed were workers with general skills, who are able to adapt and to learn new technical skills as job requirements change. Funding arrangements have also been criticized on the grounds that they limit the selection of the most appropriate courses.

Recommendation

15 Training programs and funding arrangements under the National Training Act should be modified to:

- assign high priority within the Institutional Training Program, or its replacement, to providing courses in functional literacy, basic training for skill development, and educational upgrading;
- recognize programs that enable functionally illiterate workers to gain basic literacy skills as a legitimate component of on-the-job training; and
- replace the current funding arrangement with one that will increase the relevance and responsiveness of training institutions to the labour market.

Section 39 of the Unemployment Insurance Act provides benefits, in some cases for an extended period, from general revenues to recipients who undertake training in approved courses. There are several concerns about this arrangement. All unemployed individuals should be given the opportunity to upgrade their skills and improve their employability. The current practice in approving courses is not to place emphasis on basic skills but to favour those who already have substantial skill levels and, in the case of apprenticeship training, to favour those who are already employed. The operation of the apprenticeship program should be removed from the Unemployment Insurance program and reviewed by the appropriate federal and provincial authorities. The provision of extended benefits to a person while on training is inequitable and a violation of the insurance principle. Trainees should receive benefits only for the period of their regular entitlement, and the role of Unemployment Insurance should be limited to waiving the search requirements for those undertaking approved training.

Recommendation

16 Section 39 of the Unemployment Insurance Act should be rescinded and provision should be made to:

- waive job search requirements for approved beneficiaries undertaking approved training programs (including literacy, educational and skills upgrading);
- establish a review process to monitor these approvals;
- exclude allowances for expenses from computation of earnings on claim; and
- initiate a review of the operation of the apprenticeship program by the appropriate federal and provincial authorities.

Those in the 15-to-24 age group need special attention. The baby boom generation has already flooded the labour market and produced high unemployment among youth and young adults. Many are poorly equipped for participation in the labour force and have difficulty adjusting to the demands of adulthood.

Recommendation

17 The Minister of State for Youth should consider implementation of a comprehensive Youth Opportunities Program. The program would combine basic education, counselling, life skills and work experience for young people aged 15 to 24 years who do not have a high school diploma or are otherwise disadvantaged and are having difficulty entering the labour force.

Chapter 6: Options – Employment Flexibility

This chapter addresses the need for greater flexibility in the labour market and evaluates such programs as mobility assistance, retirement policies and alternative work arrangements. These initiatives provide individuals with greater choice and allow the labour market to adapt more readily to change.

Labour displacement in declining industries and depressed regions often involves many people. In these circumstances, it is sometimes in everyone's interest that relocation take place. Currently, several programs provide mobility assistance to facilitate the movement of individuals who are unemployed, underemployed or about to become unemployed. What is required is a consolidation of mobility assistance into a single program, to avoid overlap and duplication.

Mobility, however, is not a panacea for solving labour market problems. A key policy element should be the degree of flexibility in labour adjustment. A consolidated mobility program should be based as much on the needs of the individual as on the needs of industry. It should have few criteria that limit eligibility, and should provide assistance to those who relocate to undergo training.

Recommendations

18.1 All federal labour market programs that provide mobility assistance should be consolidated.

18.2 In the new consolidated mobility assistance program:

- the industry and community basis for determining eligibility should be eliminated; and
- in addition to those currently eligible, assistance should be provided to workers who relocate for training purposes.

Changing economic and social demands will require greater flexibility in the way that work is organized and also in the rules and regulations of Unemployment Insurance. There are many alternative work arrangements, but the variety and the benefits of these alternatives are not sufficiently understood. Some alternatives, such as job sharing and working part time, have direct implications for employment income and consequently for the Unemployment Insurance system. Job sharing involves restructuring a single full-time job into two or more part-time jobs. Interest in job sharing has increased in response to the needs and preference of working parents and partially retired persons.

Part-time employment has increased rapidly over the last decade. The Unemployment Insurance program excludes many part-time workers, since in order to be eligible a person must work at least 15 hours per week for the same employer. This restriction imposes hardship on many families, is unfair, and is out of step with changing work patterns. The Wallace Commission of Inquiry on part-time work and the Boyer Committee on equality rights both concluded that the current minimum of 15 hours per week should be reduced to 8 hours. The principle that all hours of work should be covered is accepted, but it is recognized that in practice extending coverage to every hour and to every worker may create administration problems and may result in additional costs, particularly for small businesses. The feasibility of such an extension should be examined by the Canada Employment and Immigration Commission.

Recommendation

19 Unemployment Insurance coverage, in principle, should be extended to all part-time workers, but first of all to those who work a minimum of eight hours per week. Workers should be allowed to accumulate hours of work in order to become eligible for coverage. The administrative feasibility of covering all hours of work, including work for different employers, should be examined by the Canada Employment and Immigration Commission.

Compensated work sharing is a temporary arrangement intended to preserve employment through the avoidance of layoffs, at least in the short term. A prorated share of the regular weekly Unemployment Insurance benefit is paid to those workers whose normal hours are reduced by a formal agreement. There is widespread support for these arrangements.

Recommendation

20 The current work-sharing provision in Unemployment Insurance should be retained, and an internal review should be undertaken in order to streamline procedures and reduce administrative and compliance costs.

Since the end of World War II, the proportion of a worker's life spent in the labour force has declined substantially, largely because of a preference for increased leisure as real wages and real incomes rose. This preference is reflected most notably in the choice of a shorter work year through increased holiday periods. In contrast, the average work week has remained remarkably constant. Because of the projected aging of the population, the wisdom of attempting to reduce work time or ban overtime work by legislation is questionable.

Recommendation

21 Flexibility in work time should be encouraged but shorter work days, weeks or years should be negotiated by individual firms and industries rather than being established by legislation.

The requirement of mandatory retirement at age 65 is under attack because of the equality provisions in the Canadian Charter of Rights and Freedoms. The federal government has expressed a commitment to facilitate flexible retirement, and changes to increase the flexibility of public and private pension plans either have been made or are contemplated. Available empirical evidence from the United States and from Quebec indicates that these measures may have little effect on postponing retirement. They will, however, expand the range of genuine personal choice. These changes have major implications for the Unemployment Insurance program. They change the context of the three-week "retirement benefit" at age 65 and the treatment of pension income in determining Unemployment Insurance benefits for persons under age 65 who take on another job while receiving a pension. Since Unemployment Insurance and Old Age Security are elements of the social security system, changes in their age limits should be coordinated.

Recommendation

22 The age limit of 65 years should be removed as a barrier to Unemployment Insurance eligibility, concurrently with changes in the age limit established in the Old Age Security program. At that time, the provisions in the Unemployment Insurance Act for payment of a three-week "retirement benefit" should be rescinded.

Chapter 7: A Plan for Reform

This chapter sets forth the proposed fundamental reform of the core program of Unemployment Insurance, the objectives, and the reasons for the new program design. The current program is perceived by many to be unfair, illogical, at variance with the principles of social insurance, and overly complex. Different criteria are applied and different benefits provided to individuals who are in similar circumstances. More generous treatment is given to short-term than to long-term workers, and more is given to those in some regions than in others. The entrance requirements are complicated and there are different benefit phases. Not all hours of work are treated equally in determining eligibility for benefits, and workers in the same occupation with the same employment possibilities are treated differently. The practice of basing eligibility on the local unemployment rate is unfair, since that rate is a poor indicator of job opportunities.

The proposed new approach must be viewed within the broad context of the human resource development proposals included in preceding recommendations, and within the framework of the income security system. The reform embodies the view that Canada must invest more in human resources and make funds available to support programs for that purpose. Within the context of a comprehensive human resource development strategy, the role of Unemployment Insurance would become one of strict income replacement. Income supplementation and other aspects of the current program would be transferred to programs specially designed for these purposes.

To respond to deficiencies in the current program, the proposed reforms involve moving to "Annualization" in the calculation of benefits – that is, basing the level of benefits on insurable earnings over the previous 52 weeks and paying benefits for up to 50 weeks. In addition, an annual maximum limit on insurable earnings is set. This annual limit would remove inequities and encourage increased flexibility in the workplace. A further change involves a revised approach to credit banking, ensuring that all hours worked and all earnings are included in the calculation of benefits, which will provide greater incentives for the unemployed to accept full-time work. Finally, shifting to an entrance requirement based on hours rather than weeks would allow workers to accumulate all hours of work.

It was decided that simple modification of the existing program would not meet the demands of the changing economic environment or provide the best possible foundation for the future. The weaknesses and inequities in the current system were carefully reviewed and the advantages and disadvantages of various options were studied and debated. The decision was reached that, on balance, Annualization was the best approach, because it combines low entrance requirements with long maximum duration of benefits, without the inequities, disincentives and administrative complexity of the current approach.

Recommendations

23 A new Unemployment Insurance program should be developed and implemented. Features of the program should include:

- a standard cumulative entrance requirement of 350 hours;
- benefits based on average weekly insurable earnings in the 52 weeks prior to unemployment;
- benefits paid in 50 weekly instalments after a two-week waiting period;
- benefits to equal 66 ⅔ percent of insurable earnings;
- an annual maximum insurable earnings limit applied according to the employer's pay periods; and
- a system of credit banking.

24 The reformed program should be introduced in four phases.

- Phase 1: benefits would be based on the average weekly earnings over 13 weeks, paid in 50 weekly instalments, and would be 60 percent of insurable earnings.
- Phase 2: benefits would be based on the average weekly earnings over 26 weeks, paid in 50 instalments, and would be 60 percent of insurable earnings.
- Phase 3: benefits would be based on the average weekly earnings over 39 weeks, paid in 50 instalments, and would be 66 ⅔ percent of insurable earnings.
- Phase 4: benefits would be based on the average weekly earnings over 52 weeks, paid in 50 instalments, and would be 66 ⅔ percent of insurable earnings.

Particular concern was expressed at the public hearings about the situation of unemployed older workers who are too young to draw a pension but may be considered too old to be readily employable. For them, one year of benefits may be insufficient for the sort of adjustment that all workers may find increasingly necessary. Under Annualization, workers who suffer a number of layoffs in quick succession after many years of steady employment with the same company may need a means to top up their benefits to some percentage of their average weekly earnings. They may also need assistance to top up or extend their benefits so that they can undertake approved training and move for relocation purposes.

Recommendation

25 A Cumulative Employment Account should be developed, having the following features:

- Credits would accrue at the rate of two weeks for every year worked, to a maximum of 25 years of credit.
- Benefits could be drawn only after a 30-year threshold.
- Benefits could be used to (a) top up Unemployment Insurance benefits to 66 ⅔ percent of average insurable earnings over the previous five years; and (b) top up or extend benefits for those undertaking approved training, retraining or mobility. Benefits could be extended to a maximum of 52 additional weeks.

Chapter 8: Immediate Steps – Other Program Reforms

Fundamental restructuring of the Unemployment Insurance program involves sweeping changes that must be carefully considered and gradually introduced. This chapter deals with a number of less fundamental changes that could be implemented more rapidly, either within the current program or as part of a reformed program.

The treatment of pensions was the subject of a special reference to the Commission of Inquiry. In considering this issue, it must be recognized that the entire question of retirement and retirement policy is changing rapidly. Under the Canadian Charter of Rights and Freedoms, age 65 may no longer be a basis for mandatory retirement. Actuarial adjustments for those wishing to retire at other than the "normal" retirement age are already taking place or being contemplated in both the public and private sectors. As a consequence, it will become less and less true that receipt of a pension and retirement are synonymous. Thus, the question of the treatment of pension income by Unemployment Insurance has become part of a more general problem facing policy makers – the increasing importance placed on flexibility in retirement and pension arrangements, and the resulting need for better coordination of all related social policies, particularly Old Age Security.

Since those who have retired are no longer in the labour force, they should no longer be covered by a program such as Unemployment Insurance, which is designed to assist members of the labour force. Receipt of a pension, however, does not necessarily mean that a person has left the labour force and should not lead to disqualification from Unemployment Insurance benefits.

Denying coverage to everyone with pension income would mean denying coverage to the many individuals who enter another job after leaving a career with a pension. By contrast, the approach that became effective January 5, 1986 compels those with a pension from previous employment to pay for coverage on subsequent employment but treats pension income as earned income, so that when these workers become unemployed their benefits may be negligible or non-existent. Another possible approach would be to ignore pension income entirely. This would mean ignoring deferred income from another job, since that is how pension income is generally considered. If the mandatory retirement age were removed and pension income were ignored completely, then Unemployment Insurance could be used to finance the first year of retirement and the cost could become prohibitive.

It was recognized that those in receipt of pension income should not be discouraged from pursuing a second career. It was therefore decided to recommend treatment of pensions in two ways: the first if the pensioner is unemployed when the pension is received initially and the second if the pensioner becomes unemployed from a subsequent job. Because building up a pension is a lifetime process, any changes that might reduce pension income should be introduced only after notice of three years to those likely to be affected.

Recommendation

26 The current treatment of pension income should be rescinded with an effective date of January 5, 1986. The new policy should be announced and an implementation date of January 1, 1989 set. The new policy should be:

- that pension income received during a period of unemployment immediately following retirement from a first career would be treated as earnings when calculating Unemployment Insurance benefits for that period;
- that during future employment periods, Unemployment Insurance would provide coverage only on the difference between pension income and the lesser of the new earnings or maximum insurable earnings;
- that premiums would be calculated on the basis of insurable earnings minus pensions in pay; and
- that administratively, weekly premiums would be calculated as now, with any excess rebated via annual income tax returns.

Currently, lump-sum payments, including severance pay, vacation pay, bonuses and payments from an employee profit-sharing plan, are translated into weekly earnings and treated like earnings on claim, which are subtracted from eligible benefits. It is considered inequitable that in these cases the maximum benefit period and the amount of benefits are reduced. The major exception to this treatment of lump-sum payments is the treatment of vacation pay trust funds, which exist predominantly in the construction industry in Ontario and Quebec. In these funds, vacation entitlement is accrued and benefits are usually paid twice a year and vacation must be taken in a set time period. Individuals should not be considered as unemployed and available for work during these vacation periods.

Recommendations

27.1 Severance pay, vacation pay and lump-sum payments should be allocated to weeks, using the same formula as at present. These monies should delay but not reduce benefit entitlement. In addition, they should be considered as insurable earnings.

27.2 Recipients of benefits from vacation pay trust funds should be disentitled for the period for which vacation pay is received. This would delay but not reduce benefit entitlement.

Under the present system, if a person in receipt of benefits earns more than 25 percent of his or her benefits, then benefits are reduced by one dollar for every dollar earned above that limit. Thus, there is no financial incentive to work beyond the exemption level. Maximum work incentives should be provided to the extent that benefits and earnings together do not exceed the previous insured earnings of the individual worker.

Recommendation

28.1 Earnings while on claim should reduce benefits at a rate equal to the replacement ratio. That is, if the replacement ratio is 66 ⅔ percent, then the reduction rate should also be 66 ⅔ percent.

At present, coverage under Unemployment Insurance is limited to jobs that involve at least 15 hours of work a week or pay at least $99 a week. Part-time workers with more than one job are considered unemployed and eligible to receive benefits if they lose one job, provided it is insurable. Earnings from the job that continues are treated as earnings while on claim, however, and as a consequence, they are treated more harshly than a full-time worker with the same total insurable earnings.

Recommendation

28.2 Benefits for multiple job-holders should be calculated on the basis of total insurable earnings from all jobs. Any earnings during the benefit period should be treated as earnings on claim.

A particularly contentious issue is the provision in the current Act that makes those whose earnings are interrupted because of a labour dispute ineligible for benefits. That provision is based on the fact that the strike is voluntary and that payment of benefits to strikers would breach the principle of neutrality by making Unemployment Insurance into a form of strike fund. The present rule considers an industrial dispute to be in progress until 85 percent of the work force is recalled, even if an agreement has been ratified. Once the agreement has been ratified, these workers are no longer on strike.

Recommendation

29.1 A dispute should be considered over on the date that the collective agreement is signed, except in cases where a date for return to work is identified in a subsidiary agreement or protocol.

Employees are also considered to be ineligible for benefits in the event of a lockout by their employer, although the employees who are locked out are not voluntarily unemployed.

Recommendation

29.2 In the case of a lockout, workers should be eligible for Unemployment Insurance benefits while a collective agreement is in force.

At present, some workers who are indirectly involved in a strike are disqualified. This policy violates the principles of voluntary action and of neutrality. The present rule is that contributing to a common strike fund may lead to disqualification. Therefore, members of a local that is part of the same union are disqualified even if they did not participate in the decision to go on strike. Workers in the same plant but in a bargaining unit that is not a local of the striking union are not disqualified. This distinction may be both inequitable and illogical.

It is important to acknowledge that there may be instances where those indirectly involved in a labour dispute may receive substantial and early benefits from it. Where this is established, disqualification should follow. In such cases, there should be a right of appeal with the onus on the Commission to justify the decision.

Recommendation

29.3 Those indirectly involved in a dispute, including those who belong to the same union but are in a different local, should not be disentitled. Where there are direct, substantial and early advantages to those who are indirectly involved, they should be disentitled but that decision should be subject to appeal.

At present, workers involved in a labour dispute who take a second job are not eligible for benefits if they are laid off from that job. This practice ignores the fact that the layoff is entirely separate from the original labour dispute. This practice is not justified unless the Commission can show that the layoff was contrived in order to collect benefits.

Recommendation

29.4 In a situation where a worker is disentitled because of a labour dispute, then takes another job and is laid off, that worker should be eligible for Unemployment Insurance on the basis of the second job. In cases where claimants have earnings on claim and lose those earnings because of an industrial dispute, this should not disentitle the worker from the original claim.

Claims for sickness, maternity and adoption benefits are denied at all times during a labour dispute. These events are not related to the dispute and would have occurred whether or not the labour dispute had taken place. The provision of sickness benefits, however, must be very limited to avoid possible abuse.

Recommendation

29.5 Maternity, adoption and sickness benefits should be paid during an industrial dispute. In the case of sickness, however, benefits should be awarded only if the claimant is confined to hospital.

On strict insurance principles, voluntary quitters should not be eligible for benefits. To apply these principles would require the employer to identify those who voluntarily quit their jobs. There is, however, no extra cost to the employer in identifying the situation as a layoff, and therefore no incentive to police the system. Indeed, the employer may collude to call it a layoff rather than a resignation. Increasing the penalty might simply increase the pressure for collusion.

There is need, however, to clarify and publicize the conditions under which a person may leave a job without penalty. "Just cause" is poorly understood among claimants. There is also need to revise the rules to cover cases of "inverse seniority" in collective layoffs, when older workers by agreement may choose to be laid off. In these cases no penalty should be imposed.

Recommendation

30 The current penalty of loss of benefits for up to six weeks for voluntarily leaving a job should be retained. "Just cause" for leaving a job voluntarily should be clarified and publicized, and "inverse seniority" in a collective layoff should be included as just cause.

The requirements that recipients be engaged in job search and available for work are critical in that they determine whether a claimant is considered to be unemployed or to have left the labour force. Enforcement of the requirements should be conducted in a humane, reasonable and intelligent manner, and those attempting to start a business should not be disentitled on the grounds that they are not available for paid employment.

Recommendation

31 Job search and availability for work should continue to be essential elements in the Unemployment Insurance program.

- Criteria regarding what constitutes suitable employment should be made explicit to clients.
- The kinds of jobs claimants are required to search for should be continuously adjusted in light of the local availability of "suitable" jobs.
- Job search and availability requirements should be waived in instances of sickness and maternity, temporary layoff with assured recall, jury duty, approved training programs, and approved plans to start a small business.

Chapter 9: The Self-Employed

This chapter addresses the issue of self employment and deals in some detail with the issue of fishing benefits.

There would be almost insurmountable obstacles to providing protection to all categories of the self-employed. In cases where the individual can create the conditions which permit the collection of benefits, as the self-employed can, the degree of moral hazard presented is incompatible with Unemployment Insurance. A spouse who works on salary for a self-employed person, however, should not be excluded from coverage, except in jurisdictions where the spouse is treated as a partner under family property law.

Recommendation

32 Unemployment Insurance coverage should be extended to persons married to and working for the self-employed, in jurisdictions where under family property law spouses of business owners are not treated as partners in the business and where they are paid a salary subject to income tax.

Self-employed fishermen were included under the umbrella of Unemployment Insurance by a special amendment of the Act in 1956. The purpose was to provide income support to self-employed fishermen, particularly on the Atlantic, and to the many coastal communities that depend upon the fishery for their survival. But the fishing benefits program has problems stemming from the nature of the program, its inherent administrative difficulties, its inadequacies in meeting the needs of the fishermen whom it was intended to serve, and the obstacles that it presents to processors who need a greater supply of fish during the latter part of the season. Unemployment Insurance is neither appropriate nor adequate to meet the needs of fishermen who, through the vagaries of nature or government policy, are most in need of income supplementation.

Recommendation

33 "Part V Fishermen's Regulations" should be amended to establish a five-year maximum deadline for phasing out the eligibility of self-employed fishermen for Unemployment Insurance.

- During this five-year period, eligibility for special fishing benefits should not be extended to any new fishermen. Current Unemployment Insurance beneficiaries should be permitted to elect to receive a weekly payment during their off-season, calculated on the basis of their average entitlement over the preceding five years rather than on the current schedule of benefits.
- During this five-year period, the federal and the provincial governments involved in the fishing industry should develop and implement an income supplementation plan for all workers in relation to their need, with resources at least equivalent to those currently available for Unemployment Insurance benefits to self-employed fishermen.

Chapter 10: The Reform of Program Delivery

This chapter provides a range of proposals for improving the administration of Unemployment Insurance. They include fundamental changes in the structure of the organization and other changes that could be adopted even without the proposed reorganization. Although nominally independent, the Canada Employment and Immigration Commission is a federal body subject to the guidelines of the Treasury Board and to the personnel policies of the Public Service Commission. The two Commissioners who represent employers and employees exert minimal influence. Those who pay most of the costs through premiums have an insignificant role in the management of the program. The delivery of service appears to be directed more to serving the needs of the system rather than to responding to the needs of the clients. In short, the Commission lacks autonomy, power and authority.

Recommendation

34 A new autonomous organization, the Unemployment Insurance Commission, should be established to be the mechanism for delivering Unemployment Insurance and employment services, and it should operate at arm's length from the government.

Throughout the report, the need has been stressed for the federal government to assume leadership in the development of a comprehensive human resource development strategy. A revitalized Department of Employment and Immigration should have a broad mandate for that strategy. Whether or not all of the existing programs and functions related to human resource development are allocated to this department, coordination of these initiatives is essential.

Recommendation

35 The remaining Department of Employment and Immigration should be revitalized, with a broad mandate for human resource development.

The new Commission should function at arm's length from government, while operating subject to a revised Unemployment Insurance Act that would limit its discretion with respect to the basic features of the program and the appeal process. It would not need parliamentary appropriations, since it is proposed that it be financed entirely from premiums.

Recommendation

36 The new Unemployment Insurance Commission should be established as a parent Crown corporation under Schedule C, Part II, of the Financial Administration Act.

In order to provide an administration that will operate at arm's length from government, a board of directors with wider representation of employers and employees than at present should be appointed. This board would balance the interests of the employers and employees who jointly fund the program.

Recommendation

37 • The board of directors of the new Unemployment Insurance Commission should consist of between 13 and 21 members, and a majority of members should be selected equally from labour and from employers.

- These appointments should be made by Order in Council upon consultation with interested groups and for a fixed term of three years, with one-third of the board eligible for replacement and reappointment every year.
- The board of directors should be responsible for selection of the chairman of the board and of the chief executive officer.

It is essential that the administration of the program be more responsive to the needs and concerns of employers and employees, and that the current imbalance between a massive impersonal bureaucracy and the individual claimant be redressed.

Recommendation

38 The legislation enacting the Unemployment Insurance Commission should grant it full authority over the implementation of the program and responsibility for the delivery of services.

It is difficult to avoid the conclusion that public access to the Unemployment Insurance program has low priority, since there is widespread criticism of the lack of information provided to employers and employees on all aspects of the program. There is considerable public frustration over the difficulties of obtaining answers to questions and even of contacting the staff, whether in person or by telephone.

Recommendation

39 The Unemployment Insurance Commission should do more to inform the public, employers and employees about the program in general; about the requirements of the law, regulations and appeal process; and about the rights and responsibilities of claimants and appellants.

Rules of implementation used to deliver the program are sometimes found in the Act or the regulations, and sometimes in administrative policies or the decisions of umpires. It is the intent of the proposed changes to give the new Commission responsibility for the rules that are to be adopted in order to deliver the program. Existing rules need careful examination and evaluation. Deadlines for filing claims, for example, have important implications in terms of lost benefits. It is not clear what circumstances constitute "just cause for delay" and would allow a claim to be antedated. The onus of proof of qualification for benefits is placed on the claimant rather than this onus being on the Commission. The current rules and procedures governing appeals require the claimant to provide evidence, but give no clear guidance regarding the nature of the evidence required or what constitutes "just cause."

Claimants should be expected only to show that they have met the basic requirements for eligibility. If their request for benefits is denied, the onus should then be on the Commission to show justification for that decision. Furthermore, the Commission should provide reasonable assistance to the claimant in preparing the argument to support his or her claim.

Recommendation

40 All rules used to deliver the Unemployment Insurance program, particularly those related to filing deadlines, onus of proof and the standard of evidence, should be evaluated. Claimants should be provided with reasonable assistance in marshalling the facts necessary to support their case.

The legislation establishing a reformed Unemployment Insurance program and an autonomous Commission should reflect the simplicity and clarity requested by clients, and should permit the flexibility required to respond to the changing needs of the unemployed and to economic changes. It should identify the purpose of the program and the mandate of the Commission without attempting to foresee every possible eventuality. The role and nature of the Unemployment Insurance program and the major features of the benefit structure should be specified, but detailed rules of implementation should be left to the discretion of the Commission.

Recommendation

41 The new Unemployment Insurance Act should clearly identify the objectives of the Unemployment Insurance program, its nature and scope. Specific references should be made in the Act to:

- the principles that constitute the basis for setting premium rates and benefit levels;
- the principles that determine what is unemployment under the Act (including the interruption of earnings);
- the concept of voluntary and involuntary unemployment (including availability for work);
- the principles that determine what earnings are insurable; and
- the rights and obligations of claimants, including the right to appeal.

The Unemployment Insurance Act is complex and difficult even for jurists to understand, let alone clients and employers. The regulatory process is itself a complicated maze because of countless piecemeal changes in regulations. It is reasonable to require due notice of changes in regulations and policy that affect clients significantly.

Recommendation

42 The new Act, in delegating to the Unemployment Insurance Commission the power to issue regulations, should prescribe a manner and schedule for making these changes, so as to limit their frequency. Notice of proposed changes to regulations should be published in the media well in advance of their proposed date of implementation.

Canadian law has traditionally had an appeal system that reviews the substance and facts of the case at the first level and reviews the legal procedures and interpretation at the second level. The Unemployment Insurance appeal system is more complex. It involves an internal review plus several levels of review of the procedures. Other problems include the fact that boards of referees are not regarded by claimants as "bona fide" appeal boards, since they are not seen to function at arm's length from the Commission, do not apply standard rules of evidence, and are chaired by persons who lack the legal training or the necessary depth of understanding of the program. Furthermore, the internal review procedure is perceived as inadequate in that the staff person involved is not separate from the normal line of authority.

Recommendations

43.1 The current appeal system of a board of referees and umpire should be replaced by an Unemployment Insurance ombudsman/adjudicator's review and a board of appeal.

- The responsibilities, independence and powers of the Unemployment Insurance ombudsman/adjudicator should be specified in the Act and should include the obligation to report annually on problems in implementing the Act and interpreting statutory and regulatory provisions, and to provide pursuant recommendations.
- The board of appeal should be established to hear all first-level appeals and be empowered to review the substance of all cases. It should consist of an experienced lawyer deemed qualified for appointment to the judiciary, as presiding officer, and two assessors representing the interests of employers and employees. The board should function judicially, making full use of the adversary process and abiding by the rules of evidence.
- The function of adjudication review should be clearly separate from claims processing and benefit control.

43.2 Funding should be provided to approved groups, such as unemployment action centres, to assist both employers and employees in the appeal process. These groups and claimants should have ready access to the decisions of umpires, in order to prepare for the appeal process.

The present Act confers wide powers upon the Commission. The Commission has, for example, the power not only to impose administrative penalties but also to lay charges against the same individual or company for criminal prosecution. It has powers of search and seizure and is not obligated by law to give clients sufficient notice to allow them time to examine the documentary evidence assembled by the prosecution.

Recommendation

44.1 The Act should narrowly define the powers of enforcement of the Commission consistent with the guarantees prescribed in the Canadian Charter of Rights and Freedoms and ensure that they are necessary to the essential purposes of the program.

Because Unemployment Insurance is a compulsory program financed by a payroll tax, the public interest requires that the autonomous Commission be financially accountable and that certain rules to that end be specifically laid down in the Act.

Recommendation

44.2 The Act should ensure normal standards of accountability to Parliament for the new Unemployment Insurance Commission. Specific references should be made in the Act to:

- the permissible scope of its activities;
- the exercise of its power to borrow to finance a deficit in its fund;
- the investment of surplus funds in goverment securities;
- the accumulated rights and benefits of present employees; and
- the manner in which its power to set premium rates and vary designated features of the benefit structure should be exercised.

Unemployment Insurance, as a social insurance program, is essentially a pooling of the risk of the financial loss arising from unemployment, and is appropriately financed from contributions made by those sharing in this risk. As an insurance against the loss of wage income, it provides benefits as a right only to those who are insured. It therefore follows that the cost of benefits to individuals and the related administration costs should not be borne by the public purse, but entirely by those who are eligible to receive benefits.

Recommendation

45 The reformed Unemployment Insurance program should be financed entirely by premiums. Human resource development programs, earnings supplementation and other labour market programs should be delivered separately from the Unemployment Insurance program and should be financed from general government revenue.

The mode of allocating premiums between employers and employees reminds both parties that the system of insurance, though essential, has a cost and that each party has a share in it. An equal allocation would underline the equal importance of employers and employees in determining administrative policies.

Recommendation

46.1 Unemployment Insurance should gradually move toward allocating premiums to employers and employees on a 50:50 basis.

A federal transactions or value-added tax has implications for the collection of premiums because the premiums of employers could be assessed on the basis of total value added rather than total insurable payroll.

Recommendation

46.2 The calculation of the employer's share of Unemployment Insurance premiums should be reviewed if a value-added tax is introduced.

In setting premium rates, sudden increases in premiums in times of increasing unemployment and higher rates during the initial years of recovery have a destabilizing impact upon demand. The current practice is to set the rate on the basis of a three-year moving average. But economic cycles are irregular and formulas prescribed by legislation are seldom in tune with reality.

Recommendation

47 The proposed Unemployment Insurance Commission should be given the power to alter benefit or premium levels within given parameters defined in the new Act.

Separating the Unemployment Insurance Commission from the current Department of Employment and Immigration raises the question of where employment services should be placed. There is agreement that services to the unemployed should be provided from one office. That office should provide information regarding claims and should offer assessment and counselling services. It appears reasonable to integrate the job listing and referral system with these services. These services should be available to all of the unemployed, and should not be confined to those in receipt of benefits.

Recommendation

48 The new Unemployment Insurance Commission should continue to assume responsibility for employment services (including job placement, assessment and counselling services) for all of those who are unemployed, including those who are not receiving Unemployment Insurance benefits. An evaluation of the placement services should be undertaken and this function should either be revitalized and refocussed or cancelled.

Government reorganization is disruptive to clients and to the staff. While the separation of the Commission and the Department is an essential and fundamental change, the subsequent dislocation and potential problems of communication or duplication of services should be minimized.

Recommendation

49 Staff of the new Unemployment Insurance Commission and the federal department delivering other human resource development programs should be co-located in the existing network of Canada Employment Centres.

The Commission is a massive organization with some 28,000 employees. The size and level of the staff at both national and regional headquarters are out of proportion to the nature and value of the services that they perform. It would appear that a significant reduction in the number of staff could be achieved.

Recommendation

50 A significant reduction should be made in the number of staff at national and regional headquarters.

The Record of Employment supplied by the employer is the source of information required to determine the appropriate rate and period of benefits for a claimant. Errors in that form are the main cause of over- and underpayments of benefits, and of delays in processing claims.

Recommendation

51 The Unemployment Insurance Commission should investigate the use of a simplified wage request or wage record system to replace the current Record of Employment system.

Currently, an automated, comprehensive tracking system monitors the magnitude and causes of incorrect payments. It is designed more to determine the probability of fraud than to identify individual cases. Performance measurement is based on number of cases, not on dollar values or significance of cases. There is limited access to information on clients that is in the possession of other departments and agencies of government.

Recommendations

52 Benefit control systems should be established which cross-check data on claimants with data in other relevant government files. The Unemployment Insurance Act should be amended to permit overpayments to be recovered through offsets against other amounts owing to claimants from the goverment (e.g., income tax refunds).

53 The investigative effort of the Unemployment Insurance Commission should be focussed and improved, and cases of organized fraud should be given more attention. Performance measurement in this area should be based on dollar values in addition to the number of cases.

Conclusion

The changes to the Unemployment Insurance program, and the recommendations for an earnings supplement and other economic and human resource development programs in this report, are radical and will be controversial. It will take courage to adopt them and will take time before they can be fully implemented. The Commissioners are acutely aware of how disruptive changes may be both to individuals and to regions. Time must be permitted for full assessment of the consequences, for monitoring new developments, and for introducing modifications as circumstances change.

But there are other reasons why time is needed. Some of the major recommendations are closely interrelated. The proposed phasing-out of regionally extended benefits and of fishing benefits is dependent upon the introduction of an Earnings Supplementation Program. These proposals and the other initiatives in the human resource development strategy require consultation with provincial governments and federal-provincial agreements.

The proposed new autonomous Commission and the reorganization of the current Canada Employment and Immigration Commission will also take time, not only to implement the proposed changes but also to allow those affected to adjust to the changes. For these reasons it is urged that a transition period of four or five years be allowed in order to phase in proposals where time for adjustment is deemed to be necessary.

Commissioner Roy F. Bennett

Annualization

The Annualization concept should not be adopted unless appropriate income supplementation programs have been developed and agreed to by all provinces. In the meantime the existing Unemployment Insurance program should be continued with some modification whereby regionally extended benefits are progressively phased out and replaced with expanded training programs, long-term job creation initiatives and other programs which facilitate and encourage labour force participation.

Part-Time Workers

Recognizing that a high percentage of part-time workers are students, retirees and workers who have other full-time employment, coverage should not be extended to those working less than 15 hours a week until further analysis indicates that the majority of those affected desire this protection

Cumulative Employment Account

Recognizing the complexity and administrative implications of the proposed Cumulative Employment Account, it would appear preferable to base entitlement strictly on age (subject to a minimum qualifying period in the labour force) provided such an approach is acceptable under the Canadian Charter of Rights and Freedoms.

Pensions

The proposed change in the treatment of pensions, as with all changes which have significant implications. should become effective one year after the relevant regulations are published.

Labour Disputes

A worker should no longer be considered involved in a labour dispute after: (a) a collective agreement has been signed; and (b) the unit or department in which the worker was employed at the time the strike commenced either resumes work or ceases to exist.

In the case of a worker who is not directly involved in a strike but who is laid off as a result thereof, Unemployment Insurance benefits should be paid provided that: (a) the claimant is not employed by the same employer as those who are on strike; or (b) the claimant does not contribute to the same strike fund.

In a situation where a worker is disentitled because of a labour dispute, then takes another job and is laid off, that worker should be eligible for Unemployment Insurance on the basis of the second job *only in those instances where* either: (a) the strike is over at the time of layoff from the second job, or (b) the striking worker has held the second job for at least 10 weeks.

Commissioner Guylaine Saucier

The rule that for Unemployment Insurance purposes a labour dispute is considered over when 85 percent of employees have returned to work should be retained. In the case of a worker who is not directly involved in a strike but who is laid off as a result thereof, Unemployment Insurance benefits should be paid provided that: (a) the claimant is not employed by the same employer as those who are on strike; or (b) the claimant does not contribute to the same strike fund.

Commissioners F.J. Soboda and J.J. Munro

It is our firm belief that the program is basically sound and needs only to be improved and strengthened to allow it to serve its purpose in a less complicated and more equitable fashion. Our points of departure from the other Commission members are fundamental:

- We do not believe that cuts in the program are warranted.
- We cannot support massive cuts in benefits for those workers who are most in need of the economic security that UI provides – those who are unable to maintain full-year employment.
- We believe that the proposal to eliminate regionally extended benefits is an economic disaster in the making for Canada's weakest local economies.
- We believe it is a serious mistake to sever the link between UI funding and benefits and the rate of unemployment.

The UI program has already sustained a series of cutbacks and restrictions over the past decade. The cutters and retrenchers have had their day. It is time now to refocus the program on its basic purposes and on the needs of the people it is supposed to serve.

It is recommended:

- that the link between the duration of benefits and the local unemployment rates be maintained (regionally extended benefits);
- that the minimum entrance requirement of 10 weeks be extended to all classes of claimants, including those for sickness, maternity, and parental benefits;
- that the maximum benefit period be increased from 50 to 71 weeks;
- that the two-week waiting period remain for regular benefits, be reduced to one week for sickness benefits, and be eliminated entirely for maternity and parental benefits;
- that payments of benefits be guaranteed within one week of application;
- that the level of insurable earnings be established yearly at 125 percent of the eight-year moving average earnings;
- that the benefit rate be increased to 66⅔ percent;
- that all pension income, severance and vacation pay be excluded from the definition of earnings for UI purposes;
- that the present exclusion from coverage of persons over age 65 be eliminated;

- that the maternity benefit period be 17 weeks, that the 2-week waiting period be eliminated, and that parental and adoption periods be 24 weeks;
- that part-time workers be eligible for UI if they have a minimum of six hours a week of regular employment;
- that the denial of benefits to workers involved in a strike be confined to workers actively on strike, and not extended to others who refuse to cross their picket lines;
- that employees who are locked out by an employer be eligible for benefits;
- that the UI regulations, procedures and administration be simplified to enable claimants to file applications and obtain their rightful benefits more easily and quickly; and
- that if the above recommendations are adopted, tripartite financing, with equalization of premiums between employers and employees, be maintained.

Members of the Commission

Claude Forget
Chairman

Claude Forget is an economic consultant, partner in the firm SECOR in Montréal and vice-president of the C.D. Howe Institute. Mr. Forget has been a professor of economics at McGill University, l'Université de Montréal and l'Université du Québec à Montréal. He has been Assistant Deputy Minister, Member of the National Assembly and Minister of Social Affairs in the Quebec government.

Roy F. Bennett
Commissioner

Roy F. Bennett is president of his own management consulting and investment firm, Bennecon Ltd. He formed the company after retiring from the Ford Motor Company of Canada Ltd. where he was president and Chief Executive Officer from 1971 to 1981.

M. O. Morgan
Commissioner

M. O. Morgan is a distinguished Canadian scholar in the social sciences field. He has taught at King's Collegiate School, Dalhousie University and Memorial University, where he was president from 1973 to 1981.

Jack Munro
Commissioner

Jack Munro is president of the International Woodworkers of America Regional Council N° 1, a position he has held since 1973. He is an associate officer of the IWA International Executive Board and a general vice-president of the Canadian Labour Congress.

Guylaine Saucier
Commissioner

Guylaine Saucier has been president of Le Groupe Saucier, one of the largest forestry products firms in Quebec, since 1975. Ms. Saucier is a chartered accountant and serves on the boards of several parapublic and private organizations.

Frances J. Soboda
Commissioner

Frances J. Soboda is a vice-president of the Canadian Labour Congress, vice-president of the Nova Scotia Federation of Labour and president, of the United Steelworkers of America, Local 4253. She is also co-chairperson of the NSFL's Human Rights Committee.

CANADA

Commission of Inquiry on

Unemployment Insurance

REPORT

November 1986

Claude E. Forget, Chairman
Roy F. Bennett
M. O. Morgan
Jack J. Munro
Guylaine Saucier
Frances J. Soboda

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Commission of Inquiry
on Unemployment Insurance

CANADA

La Commission d'enquête
sur l'assurance-chômage

**TO HER EXCELLENCY
THE GOVERNOR GENERAL IN COUNCIL**

MAY IT PLEASE YOUR EXCELLENCY

We, the Commissioners appointed by Order in Council dated 4th July 1985 as revised and amended on 26th March and 30th September 1986 to inquire into the role of the Unemployment Insurance Program within the context of the Canadian social security system, as a means of improving the operation of labour markets in Canada, supporting more effectively Canada's economic development, ensuring the equitable financing of the program and providing new and better opportunities for Canadians experiencing temporary unemployment: Beg to submit to your Excellency this Report and Supplementary Statements.

Claude E. Forget
Claude E. Forget, Chairman

Roy F. Bennett

Jack Munro

Frances J. Soboda
Frances Soboda

M.O. Morgan
M.O. Morgan

Guylaine Saucier

Ottawa, Canada

November 1986

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Preface

The Commission of Inquiry on Unemployment Insurance was first mentioned in the Budget Speech of 1985. Because of the general fiscal context of the time, the Commissioners agreed, and repeatedly confirmed at the hearings, that this Commission should avoid becoming a pressure group lobbying for either lower or higher public expenditures. Rather, we should concentrate our attention on ways to ensure that money now devoted to Unemployment Insurance and related programs would be more efficiently spent and fairly distributed. This report is evidence that we abided by that commitment.

The recommendations, taken together, would involve an extensive revision not only of Unemployment Insurance but of many other government programs, including income security programs, education and training and even the tax system. On grounds of equity as well as economic efficiency, Unemployment Insurance must be reformed. Because it is such an important program, however, it is impossible to make meaningful improvements to Unemployment Insurance without correspondingly large changes in other economic and social policies.

This report is not unanimous. Broadly speaking, its recommendations represent the views of four of the six members of the Commission. The other two members – both vice-presidents of the Canadian Labour Congress – have appended a long document and recommend a radically different course of action. Their recommendations imply an increase in total Unemployment Insurance benefits amounting to close to $3 billion per year – a more than 30 percent increase over present costs. Employees' premiums would have to rise substantially to help make up the difference. Their recommendations would result in an enrichment of the current program, but would do nothing to improve the broader employment situation or to achieve greater social justice.

Canadians are thus presented in the majority report with a new vision of what should be done with regard to Unemployment Insurance and related programs. They are also confronted in the supplementary statements with the political reality that change in this area is difficult and controversial. To the dissenting voice of the Canadian Labour Congress speaking through its two vice-presidents will be added the voices of many other interest groups. Those who hoped to find an easy route to Unemployment Insurance reform, with no hard choices to be made between conflicting philosophies, will be disappointed. The desire for a convenient and comfortable consensus has to be put aside. This is a sobering thought but, let us hope, not one that will condemn us to the status quo or sap the courage needed to ensure a better future.

Claude E. Forget

Claude E. Forget
Chairman

Prologue

Challenge and Opportunity

Unemployment Insurance is at the heart of Canada's social security system and is, without question, a program about which Canadians care deeply. This Commission of Inquiry has faced both challenge and opportunity. Our challenge was to reconcile strong and contradictory opinions regarding its role in the economy. Our opportunity was to contribute to the development of responsible public policies aimed at improving social justice and economic efficiency.

This Commission of Inquiry was established by Order in Council on July 4, 1985. Its task was to examine how Unemployment Insurance can help Canada's economy to develop and its labour market to operate smoothly, how to make the system fair for everyone, and how to ensure that it offers the best possible help to Canadians who are temporarily unemployed.

We were asked to review all elements of the Unemployment Insurance program – the extent of coverage, the criteria for eligibility, the amount and duration of benefits, and the financing of the program. On all of these matters we were requested to make recommendations that would respond to deficiencies and improve the integrity of the program. These terms of reference are given in full in Appendix A.

The task has been enormous and the time frame short. To understand how Unemployment Insurance influences the way that Canadians live, work, plan and make choices, we consulted widely. We sought the views of provincial and territorial governments. We tapped the wealth of expertise in the academic, labour and business communities. We drew upon the experiences of those who administer the program. We observed first hand the impact of Unemployment Insurance in various regions and communities. We heard the concerns of those in seasonal jobs, those in declining industries, and those with skills threatened by new technology.

The Unemployment Insurance program is so universally significant that we felt from the outset a responsibility to involve the public in the debate and discussion. Our participation guide, ***Unemployment Insurance: Back to the Drawing Board?***, invited all Canadians to participate in the Inquiry. By sharing impressions of the issues that we had to examine and the questions that we were to pursue, we hoped to encourage members of the public to express their views. Over 10,000 copies of the participation guide were distributed.

The public hearings began in October 1985, and by March 1986 we had spent 60 days visiting 46 communities across Canada. In tiny villages and large metropolitan centres we heard a total of 475 presentations. The locations and schedule of the public hearings and consultations are provided in Appendix B.

During the course of formal public hearings, informal community meetings and round-table discussions, we heard compelling accounts of personal experiences. We visited work sites, Unemployment Insurance offices, job creation projects, unemployed action centres and single-industry towns. Those whom we met painted a picture of regional differences, but they made a common declaration of the need for insurance against unemployment. We probed and questioned. We wanted to know why people adopted their particular positions, whether they had considered all of the options and implications, and how strongly they were committed to their point of view. At every turn our assumptions were confronted and challenged.

We received handwritten letters as well as printed and bound volumes. All reflected thoughtful concern and effort. By the end of June 1986, we had examined almost 1,500 submissions, which are listed in Appendix C.

This has not been the first study of the Unemployment Insurance system. In our search for new ideas we reviewed an enormous amount of material on the program. We studied the five major reviews of the program since the independent report of the Gill Committee of Inquiry in 1962.[1] We examined the reports and recommendations on Unemployment Insurance and related issues by the Royal Commission on the Economic Union and Development Prospects for Canada (the Macdonald Royal Commission) and the Task Force on Program Review (the Nielsen Task Force). We also examined a myriad of internal studies by the Canada Employment and Immigration Commission. Our own program of studies was designed to look at this information in a new way, to document possible ways to meet present and future needs. More than 30 studies by private consultants and university experts were directed toward analysis of particular problems, attitudes toward Unemployment Insurance and work, and the relationship between Unemployment Insurance and other social security programs both in Canada and in other countries. A brief summary of each research paper is presented in Appendix D. We also made use of the computerized systems of Statistics Canada and the Canada Employment and Immigration Commission in our analysis.

Our views have been shaped by these written briefs, by the research of experts, and by searching discussions. The submissions, transcripts of hearings, and other materials generated by our work will be deposited for future reference in the Public Archives of Canada in Ottawa.

Our investigations, and finally this report, have been enriched by the thoughtful contributions of many people. We want to acknowledge those who gave so generously of their time and insights. Special thanks are due to the committed staff who assisted us through long hours of public consultation and complicated debates about the meaning of data and research findings, all within a very demanding schedule. They deserve public credit. A list of staff and consultants appears at the end of our report.

Ultimately, this report is the judgment of six Canadians.[2] We were determined to be more than just another inquiry. The study of Unemployment Insurance is a study about real people. We believe that people are the most valuable resource that Canada has. We knew that the problems in the program could not be resolved by new research or knowledge alone. We had to respond to the breadth and depth of concern expressed by the public. We wished to go beyond present problems, to anticipate future events and integrate ideas in a new way in order to guide future policy.

The Unemployment Insurance program has, for understandable reasons, changed in shape and grown in complexity over the years. And today, a neat and tidy solution continues to be elusive. Our analysis of the problems of the current program and of the requirements of the future led us to conclude that a fundamental transformation of the design of the program and of the structure of the organization was essential. Minor adjustments are not enough. But fundamental changes cannot be made too quickly. We are a people and an economy in transition. The solutions that we propose recognize the need for major reform in the long term but allow time to adapt to change.

This report is not meant to be an academic treatise. Nor is it meant to be encyclopaedic in nature. It is meant to convey, in simple language, our sense of what is possible and desirable. We hope that it will capture the imagination and energy of those committed to improving the quality of life for working Canadians now and in the future. Throughout this report, quotations from transcripts of the hearings, along with correspondence and a number of interviews with individuals, have been used to convey to the reader the feelings, as well as the facts, presented to us. They convey the context of the report.

We began by talking to Canadians about the challenges confronting them – the challenge of unemployment and specifically the challenge of designing a responsive Unemployment Insurance program. Part I of our report presents the problem from two perspectives. It begins with a synthesis of the themes which emerged during the public hearings. Through the actual words of participants and the anecdotal material, the problems become very real. The problems are also apparent when we describe employment, unemployment and the unemployed in statistical terms.

What do the unemployed need? Part II answers that question by proposing a broad human resource development strategy which includes employment development, income supplementation, education and literacy upgrading, and greater labour market flexibility. In Part III an Unemployment Insurance program for the future is outlined, along with the need for new legislation and a new organization. Part IV summarizes our investigation and presents our conclusions.

The compelling stories of those we met across the country had an indelible impact on us. In preparing this report, we return again and again to their real experiences and their concerns. We remember vividly the Newfoundland fisherman and his wife who talked about their lives, showed us their account books, and worried about their son's future. We see the Whitehorse businessman who raged about the problems of filling out a Record of Employment. We chuckle over the wry humour of the woman in British Columbia who responded to our questions about work incentives with "We may be unemployed but we're not stupid." And we relive the tension of talking on the phone to an unemployed man on the verge of suicide and our relief when the emergency squad arrived and he was safe.

We remember the people and their stories. And when we do, they make sense of the research. They clarify the issues. They point out our direction. They compel us to respond.

Notes

1 Beginning in 1962, the major reviews of the Unemployment Insurance program include:

Canada, Committee of Inquiry into the Unemployment Insurance Act (Gill Commission), *Report* (Ottawa: Queen's Printer, 1962).

Canada, Department of Labour, *Income Maintenance and Employment Adjustment Programme* (Ottawa: The Department, 1964).

Canada, Department of Labour, Interdepartmental Committee on Changes to the Unemployment Insurance Programme, *Report* (Ottawa: The Department, 1966).

Canada, Unemployment Insurance Commission (Cousineau Committee), *Report of the Study for Updating the Unemployment Insurance Programme* (Ottawa: The Commission, 1968).

Canada, Task Force on Unemployment Insurance (Gershberg Task Force), *Unemployment Insurance in the 1980s* (Ottawa: Minister of Supply and Services Canada, 1981).

2 Supplementary statements by individual Commissioners regarding specific recommendations are noted following the recommendation. Because of the more wide-ranging dissent of Commissioners J. Munro and F. Soboda, no mention is made of specific aspects of their dissent. The reader is referred to their report in Part V: Supplementary Statements.

Leslie Parnwell, Hairstylist, Edmonton, Alberta

This letter was written by the sister of Leslie Parnwell to Mr. Jim Edwards, Member of Parliament for Edmonton South. A copy was sent to this Commission of Inquiry. It is included here because it illustrates the problems and frustrations of a claimant confronted with a complex administrative system.

Dear Mr. Edwards,

My name is Leslie Parnwell. I have asked my sister to write this letter for me as I do not write well enough or understand the system well enough to be able to express myself properly.

I have a problem with Unemployment Insurance and am at a loss as to what to do about it. I feel I am being unfairly penalized due to an error with the Unemployment Insurance system.

I would like to tell you a bit about myself so that you will have a better understanding of the magnitude of my problem. I am 23 years old and just recently married. My husband and I live in a small apartment and have just purchased a car with a loan from the bank. When I was attending school I did not have the understanding of the academic system to attend an academic school, so instead I went to a vocational school and became a licensed hairstylist. This is the field I have worked in since and although I have never cleared more than $700 per month, I have always been able to manage. I moved out of home this spring, and as I said earlier, got married and bought a car. I am currently employed full-time for minimum wage, my husband is only working half-time for just above minimum wage and we are finding it nearly impossible to make ends meet. There is definitely nothing left over for the "finer things in life."

Just before I got married, I was laid off work and applied for unemployment benefits. When I applied I found the forms difficult to fill out and had no idea how much benefits I was eligible to receive. I collected benefits for approximately four months and then found work again as a hairstylist making minimum wage. Approximately four months after I stopped collecting benefits I received a statement from Unemployment Insurance indicating I had been overpaid by $1,307. For someone in my position this is an overwhelming amount of money to be paid back.

My sister and I went down to our local office to discuss this issue. After waiting one and a half hours we spoke to a counsellor. We found this man to be both rude and obnoxious. He questioned the need for my sister to be present. When I explained to him that I did not understand why this problem had happened and that my sister was there to help me understand, he told me it was my fault.

His exact words were "anyone can tell when they are being overpaid by that much." He then showed me a piece of paper that indicated that the error had been made when the claim was punched into the computer and stated that I should be aware of this because this was a copy of a letter that had been sent to my home. When told that I did not receive this letter, he told me I must have because it had been sent to my correct home address. My sister asked him if I could have a copy of the letter and he replied with "it isn't necessary because she has already received one." My sister then asked him straight out whether or not he was going to give me a copy of the letter. With this he stormed into a back room and came back with a copy.

After I received the copy, my sister asked why it had taken over six months to find out that an error this large had been made on the part of Unemployment Insurance. The problem was that instead of basing my insurable earnings on a figure of $3,641, someone made the mistake of keying in $6,341. This error gave me $91 more per week than I was entitled to. When asked why it had taken so long to discover this error, he asked another counsellor to come over.

By this time I was in tears and my sister was visibly angry. My sister asked the other counsellor why it had taken so long to find the error and was told she had no right to ask for explanations and that "Leslie should speak for herself and we should find out exactly what she wants." I told her that I wanted exactly what my sister had asked for and that I had asked my sister to speak on my behalf. The woman very huffily told us that the "variance report" for my period had just recently been generated and that was how and when the error had been found. My sister asked why it had taken more than six months to generate this report and was told that the office in Edmonton had no control over what they did down east and this is the way the system is.

The gentleman then stated that he wanted to work out a repayment plan for the overpayment. My sister told him that I was not prepared to work out a repayment plan until further information had been received. He then told us about the appeal process, gave us a pamphlet to read and told us that we could write to anybody we wanted to, but they would get the money back in the end. We then took the forms and left.

I am not writing this letter to try to get out of paying back all of the money I received. I chose not to go through the appeal process because there isn't really anything to appeal. I understand that I was overpaid. What I am writing for is to find out why the system is so inadequate that it took six months to find an error this large. I do not feel that I should have to pay the entire amount because of someone else's error and an inadequate tracking system. I cannot possibly afford to pay more than a token sum monthly and it could take years before all of this money is recovered.

Over the years I have known people who have been able to use the system to their advantage and get away with it. If I had made the error totally on my own then I would have to accept full responsibility for it. Somehow there is something wrong when a little person has to pay the full costs of a mistake of a large government organization. I feel that the UIC has to have some obligation to account for their errors, not only to the little person such as myself but to the Canadian public at large. Is there no accountability?

I have forwarded a small amount of money to the Canada Employment Centre Collection Office and advised them that I am pursuing this matter further. I have also sent a copy of this letter to a number of other persons . . . in hopes that someone will take action in this matter.

I look forward to a reply.

Sincerely,

Leslie Parnwell

Part I

What Is the Problem?

Part I

What Is the Problem?

Unemployment Insurance is everyone's program. In 1984, 11.5 million Canadian workers paid into the program and more than a quarter of them collected benefits at some time during the year. Their employers also contributed premiums and an additional share of the program cost was paid by every taxpayer. The assurance that benefits are available to those who lose their jobs or to those who are temporarily unable to work and are without pay makes a significant difference in the way that workers and employers make decisions.

Unemployment Insurance is a fundamental part of Canada's social security system. Throughout the consultation process a strong consensus emerged that Unemployment Insurance is needed and will continue to be needed in the future. At the same time, the program is subject to widespread criticism. Canadians have passionate views about what Unemployment Insurance should provide, who should be protected, and how the system should work. They care about how well or how poorly their own needs are met and how efficient and fair the system is for all Canadians.

It is important to start by telling what we heard. Ours was not just another inquiry and this is not just another report. In Chapter 1 it is the plain talk of Canadians that sums up what we heard about the problems of unemployment and the Unemployment Insurance program. Each individual sees only part of the problem and part of the solution. Yet the personal is the most universal. By first presenting some of the stories we heard, we trust that we will convey our respect for the importance of Canadians' feelings about these issues.

In Chapter 2 we present an overview of unemployment. We describe its nature and scope, and the interplay between people's rising expectations about jobs and the growth in the number of jobs available. We explore the extent of unemployment, presenting a dynamic rather than a static picture. Although the threat of unemployment exists for all working Canadians, we point out that some are at greater risk of more frequent spells of unemployment or are more likely to be unemployed for longer periods of time. The emerging importance of unemployment resulting from structural changes in the economy is described as well.

Our task in dealing with this wealth of material was to distill from it the nature of the problem. If the nature of the problem is known, then the most responsive solutions can be developed. Is the real problem unemployment or is it Unemployment Insurance? This part of our report focusses on defining the problem.

Dorothy Hall, Assembly-Line Worker, Burnaby, British Columbia

Mrs. Hall's situation illustrates the problems faced by many older workers affected by technological change and structural unemployment in Canada.

I'm 57 years old and I worked for 25 years on the assembly line at Vancouver Plywood until I was laid off in December 1983. Before that I worked nine years for BC Tel. VanPly was a very old plant, the machinery was very old. The owners, MacMillan Bloedel, said they were running in the red all the time. They levelled it about a year ago . . .

When things were good, well over 1,000 people worked there. Whereas at one time I had a lot of seniority and a pretty good job, as they laid people off I ended up taking the work that was available . . . The last job I had was on the dryer chain. They shut the plant down in stages, and when they finally shut it down, there were only about 350 of us left. When I got laid off, everyone got laid off. We had an awful lot of shut-downs in the last five years . . . three weeks here and three weeks there. Some years I collected UI for twelve, fourteen weeks through layoffs. But I didn't have any trouble getting my full benefits when the plant closed for the last time.

Last year I worked for 21 weeks on a make-work project in Port Moody, putting in a heritage museum. That qualified me for UI again, but it will be running out next month. I don't know what I'm going to do then . . . The job prospects in Burnaby are about zero.

You see I'm not really qualified for very much of anything . . . a plywood plant doesn't qualify you for anything else. But there really isn't anything out here anyway. I've applied to stores as a sales clerk, but most places are not hiring. Of course my age doesn't help any . . . And there are so many plywood-plant workers out of work. Ours was not the only plant . . . There were quite a few shut down. The ones that are operating have all new machinery and what have you, so they hire far fewer people. And there are people with far more seniority than I had still out of work.

As for the future . . . I won't be getting a pension for eight years. I'm not optimistic about those years. I do have some money saved, but not enough to last me for eight years, that's for sure. I have a son, so I'm not going to starve to death or anything like that . . . It's just that I have been independent all my life and I really hate the thought that some day he may have to look after me. But he may have to, despite my working for over 30 years.

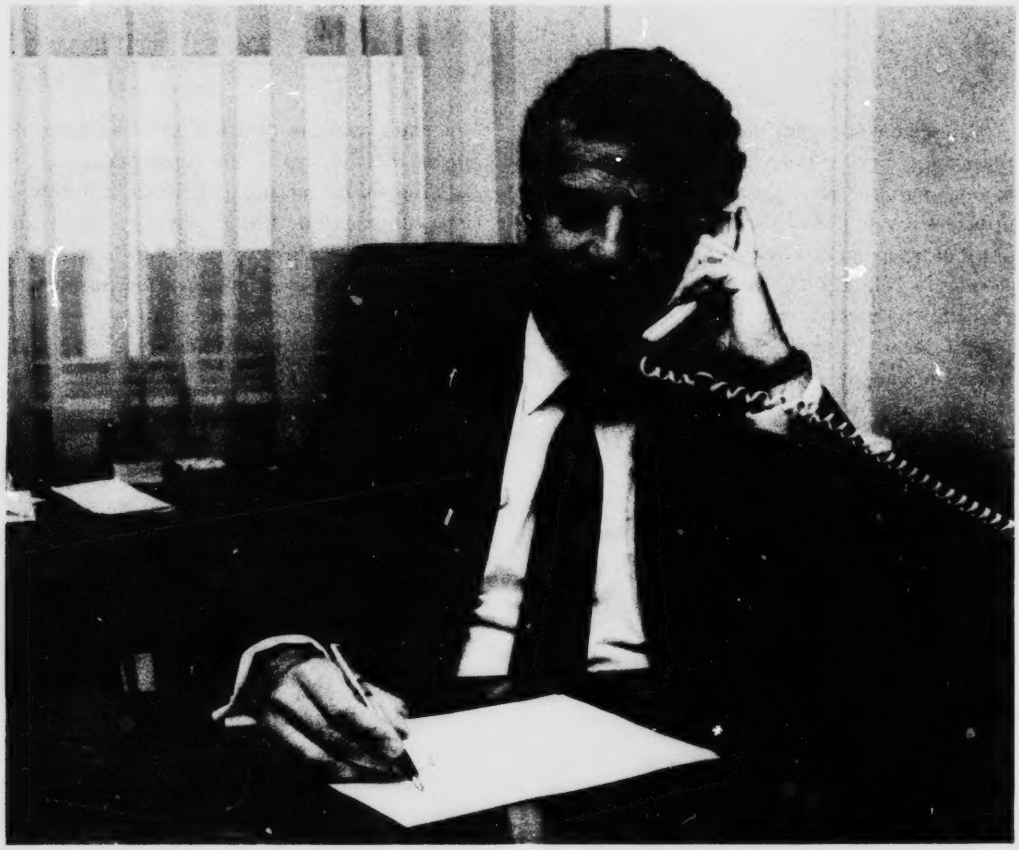
I think I have gotten a fair deal from UI. It's just that I don't know what they can do for me. They interviewed me when I applied for Unemployment Insurance, asked me what skills I had, and of course my skills are in plywood. If I were younger, possibly I could have taken a course in computers . . . I would love that.

If I could collect my Canada Pension at 60 it would make all the difference in the world, because I know that I have enough money to get by those extra years until I'm 60 . . . Or if they could train me in something . . . but I understand that I'm really too old for retraining. I realize that now. If the training took one year or two years, then really it's pointless for them to train me, isn't it? I'm realistic about it. I know of quite a few people who are in the same situation as me.

I would like very much to have worked at least until I was 60, then I could have taken early retirement. I'm very sorry that I lost my job, but I don't blame anybody. I can understand that the company was losing money and you can't run a business if you're going way in a hole every year as they told us they were doing . . . and I have no reason to doubt the fact, because they weren't the only one that closed down. There just weren't sales out there . . . and this was prior to the United States putting the tariff on shakes and shingles . . . It must be really awful now.

I'm worried about the next few years. I wish there were some way to bridge the gap . . . perhaps extend UI and bring down Canada Pension. I don't know if it's feasible but I think it would be just wonderful if there was some way that the government could bring the Canada Pension down to age 60 . . . to know that someone is thinking about our situation.

Michael Broadhurst, Hotel Manager, Calgary, Alberta



Mr. Broadhurst's comments reflect many of the concerns raised by employers during the consultations.

What I have to say about UI is the result of many years of experience in the hotel business in Canada, but I want to emphasize that it's my own opinion.

For the past two and a half years I have been managing a luxury 400-room hotel in downtown Calgary. Because we cater to business people our busiest times are in the spring and fall, although we certainly get a lot of summer business thanks to the Stampede.

We need 250 to 350 staff over the year. What we look for in job applicants is a good attitude, someone who is cheerful and service oriented . . . That's more important to us than experience. We'll train anyone who is eager to learn. We usually have no trouble recruiting people to work for us. The Canada Employment Centre has always referred people when we've needed them and I have no complaints at all about the service.

The strong opinions I have about UI stem from what can happen after people are hired. Employees have come to my personnel manager and said they want to leave and asked to be laid off so that they can collect UI. Once an employee has said that kind of thing you have serious doubts as to whether their work will be as good as it should be, so some managers think there's no harm done in doing them the favour. But I do . . . I say that's my money. It's not the government that pays UI, but working Canadians.

I wouldn't get rid of UI. I think it's a good program for people who have lost their job and who need help until they find another one. But I don't think dishonest people should get away with living off other people's money for as long as they can. UI Commission workers should be tougher in applying regulations. Even if it cost quite a bit to police the system more closely, it would save money in the long run if it discouraged people from collecting UI when they shouldn't.

UI should be an umbrella to protect people from extreme consequences, not a huge blanket that covers everything. People who are out of work shouldn't have the luxury of refusing available work just because it's not quite in their field. I've been out of work too, and I strongly believe that you take whatever job you can get and look for something better while you're working. I think UI could work better as a top-up system, to bring your wages up to the level of your previous earnings, rather than stopping as soon as you get any kind of job . . . That would encourage people to look for work instead of hanging on to pogey as long as they can.

I think it would be a good idea if the government sent a statement of account for the UI program to everyone at tax time. That way people could see what the deficit is and they would understand that UI is their program – that they pay for it. I'm amazed at the number of people who think the government pays all those benefits. If people had more of a sense that UI was their program, they wouldn't put up with dishonesty and people hanging on to UI instead of looking for a job. UI doesn't encourage good work habits. People quit their job when they don't like it and give up looking when jobs aren't easy to find, because it's easier to draw UI.

If people want to stay in towns where there are no jobs, no industry, they shouldn't expect the Canadian people to keep them there. It's a luxury to live where you can't support yourself. I think UI should say you have to go where there are jobs to be found or you're on your own. I believe that in an urban area anyone who's really trying can find a job in a month. I know it's hard for people to leave their home . . . But if there's no work and no money where you live, then you move to a place where there is work and money. It's happening all over the world – people moving from poor countries to places where there's a better chance. That's how Canada was built, by immigrants who worked hard trying to get a better life than the one they left.

UI has undermined that work ethic – especially in the young, but in older people too.

Chapter 1

What We Heard

The Context

The stories presented here and in other chapters, the briefs and correspondence from which we quote, and the comments that we received at round-table discussions and during visits to work sites and employment centres indicate a strong consensus and widespread concern about unemployment and Unemployment Insurance. This is what we heard.

> **"With fewer and fewer import and export restrictions, why should multinationals produce anything in Canada? Labour costs in the Third World, particularly in the newly industrialized countries, are far lower than in Canada. Why produce textiles or automobiles here when they can be produced in Brazil or South Korea at a fraction of the cost and then shipped here for marketing? The long-term prognosis is that the Canadian auto industry is slowly going to disappear, unable to compete with cars produced by Korean workers earning $1.36 per hour in total wages and benefits." (Alberta Federation of Labour, Calgary hearings)**

The Changing Nature of Unemployment

Throughout the consultations, many Canadians expressed concern about the availability of jobs and about their income security. They foresaw massive structural change in the economy in response to technological change, international competition and free trade. They feared permanent job loss in dying industries and single-industry towns, and a lack of employment opportunities in poorer regions of the country.

> **"We can take a piece of equipment into the woods and with six people, replace 80. So remember that, and the forest industry is the strongest industry in Canada, with the biggest number of people." (Miramichi Pulp and Paper, Newcastle hearings)**

At the same time, they expected the labour force to continue growing as those previously outside the labour force sought entry into the job market. With varying degrees of emphasis, they believed this Commission of Inquiry should take into account the following changes:

- the shift in employment away from resource and manufacturing jobs;
- the trend towards increased part-time work;
- the growth of jobs in the service sector;
- the need for periodic retraining to meet new skill needs arising from technological change;
- the shift towards information-based industries;
- the greater importance of entrepreneurial activity and small business;
- the possibility that there will not be enough work in the future for everyone who wants to work, given current work arrangements and patterns;
- the impact that the Unemployment Insurance program itself has on attitudes toward work and employment.

> **"There are many different types of unemployment, with many sub- categories within those types. They all need customized programs to address their unique needs. For example: unemployment created by a business closing down is quite different from unemployment created in the off-season by a logging operation. Taking this example even further would be the effective difference in a business, employing 300, closing down in Toronto and the same size of business closing down in the Village of Haliburton. There is also a difference between the unemployment of two people, one with portable skills and the other with skills useful only to the job which no longer exists." (Berwick Ferguson Payroll Canada Ltd., written brief)**

Participants pointed out that unemployment used to be seen as a short-term experience, generally arising as a consequence of business downturns. Employment patterns and consumer behaviour were generally stable and predictable. In hard times, people reduced their spending on non-essential goods and businesses contracted and laid off workers. As times improved, spending increased, businesses expanded and employment picked up. In contrast, unemployment today is seen as much less predictable and much longer lasting.

Canadians realize that unemployment today stems from far more complex causes than simply the ups and downs of "the business cycle." Participants were acutely aware of the dramatic changes in the economy over the last few decades – not just here in Canada, but around the world. They recognized that they will continue to face pressures to adapt to the new realities of a much more interdependent global economy. Those who lose a job cannot assume that when times improve, their skills will be in demand again. The call for a "full employment policy" – for some form of government intervention to assure that there will be enough jobs for all who want to work – was loud and clear. With both optimism and anxiety, Canadians challenged us to look to the future, not to the past, in reforming Unemployment Insurance.

> **"Benetech believes . . . that high unemployment will not go away, and in consequence we are all condemned to live most of the remainder of our working lives with uncertain employment and income prospects." (Benetech Canada Inc., written brief)**

Unemployment Insurance Will Still Be Needed

> **"We think Unemployment Insurance is an excellent idea. We want to reaffirm our support for the concept and for the programs that would flow from the spirit behind Unemployment Insurance." (Greater Moncton Chamber of Commerce, Moncton hearings)**

Unemployment Insurance is regarded as the core of Canada's income security system, as important to working Canadians as Old Age Security and government pension plans are to the elderly and as Medicare is to all of us.

> **"In recent years UI has kept us out of a full-scale depression. The Commission of Inquiry must ensure that the positive aspects of UI – maintenance and distribution of income – are not only maintained but strengthened. The integrity of UI as a pooled-risk insurance program for those who become unemployed involuntarily must be maintained." (British Columbia and Yukon Territory Council of the Canadian Federation of Labour, Vancouver hearings)**

A strong consensus is evident among labour, business, advocacy groups and political organizations across the country that the need for Unemployment Insurance will continue. Canada is seen as a wealthy country with a social conscience. With few exceptions, those who came to our hearings or wrote briefs and letters believe that this country should be able to provide for the basic needs of every citizen. While there is universal agreement that no one should be left to starve, there is debate about the level of financial security that would be adequate, about whether Unemployment Insurance is the proper way to provide it, and about who should be eligible for what kinds of income protection. Whether or not to have Unemployment Insurance is not in question. What is in question is how the program should be designed and what needs it should meet.

> **"Our position on the Unemployment Insurance program is that, as you have stated, it is a safety net. The safety net should be restricted to those people who are temporarily unemployed, are actively seeking employment and are employable. It should not be used as a cure-all for the various other social problems that are persistent right now." (Calgary Personnel Association, Calgary hearings)**

Most Canadians strongly support Unemployment Insurance as a short-term income security program for those involuntarily out of work, but there is considerable debate about the specific meaning of ***short-term***, ***income security***, ***involuntarily*** and ***out of work***.

Canadians make a clear distinction between welfare and Unemployment Insurance, and they want that distinction to be preserved. Unemployment Insurance is perceived as more acceptable than welfare because benefits are seen as a matter of right earned by contributions rather than as a public charity.

The Need for Reform

> **"The federal government must continue to play a major role in pursuing social and economic directions. We do not believe the UI program is the appropriate means or that UI premiums should be used to fund these ends." (Western Grain Elevator Association, Regina hearings)**

While we found solid agreement on the continued need for Unemployment Insurance for those temporarily out of work, questions were raised and dissatisfaction expressed about other uses of the program, about the need for greater equity, about abuse, and about unnecessary complexity.

The program has grown like a weed. New elements have been added to meet emerging needs, with complex adjustments to control undesirable side effects. The result, we were told, is a program that tries to meet diverse and sometimes contradictory objectives and that has become almost impossible to administer.

A Return to Basic Principles

We heard repeated calls for a return to the basic principles of social insurance. Controversy centred on those aspects of the program that some thought diverged from social insurance. Some noted that regionally extended benefits, which pay benefits for a longer period to the unemployed in high unemployment regions, are a system of income supplementation or redistribution. Some questioned the provision of benefits for maternity and sick leave. Others questioned the use of Unemployment Insurance funds for training programs or for job creation purposes. Debate about which risks should be insurable focussed on the issue of providing benefits to seasonal workers and those who leave their jobs voluntarily.

> **"The UI program, as it now stands, is the greatest redistribution program in the country and it bears virtually no resemblance to an insurance program except in name. There is virtually no industry in any region of the country that is really getting the actual value of its contribution paid out to members over any length of time one wants to consider. So it is basically an earnings-related social assistance program." (St. John's Status of Women Council, written brief)**

Control over the Program

There was widespread criticism about the lack of autonomy of the current Canada Employment and Immigration Commission. Employer groups and labour unions both expressed a strong desire for the program to be returned to the control of employers and workers. Greater freedom from government control was seen as necessary in order to re-establish the integrity of the program as a social insurance program.

> **"We believe that the administrative connection of UI with other programs, particularly social welfare schemes, should not be allowed to confuse or alter the primary objective of the program. UI is social insurance, not social welfare." (Labourers' International Union of North America, written brief)**

Fairness

Many individuals and groups expressed concern about inequities in the program. Questions were raised regarding why some part-time workers are not covered and why some short-term workers are eligible to receive benefits for as long a period as full-year workers. Many found it unjust that a person who has worked a full year may receive lower benefits than someone who earns at a higher rate but works for a much shorter period. They noted the absence of special provisions for older workers who have contributed to the program for many years and are laid off. Those older workers find it difficult to retrain or compete with younger workers on the job market.

While some suggested special provisions for special groups, briefs and presentations stressed again and again that those in similar situations should receive similar benefits.

> **"The Railway Association of Canada knows of no other national, federally run program where the location within the country in which you live determines your entitlement to a benefit." (Railway Association of Canada, written brief)**

> **"Anyone who is covered by the plan pays premiums into the plan and should be treated with equity rather than being used as an exception." (Alberta Teachers' Association, written brief)**

Abuse

We expected to hear a lot about abuse of Unemployment Insurance and we did. Although it was generally believed that the vast majority of Canadians are solid, honest people who want to work, it was also conceded that a small percentage is unwilling to work. Overall, however, the cause of unemployment was seen, not as lack of motivation, but as lack of jobs.

> **"Canadians want to work. Canadians are unemployed because there are no jobs for them, the claims of certain business groups notwithstanding." (United Steelworkers of America, written brief)**

> **"The system invites numerous abuses which are, in fact, perfectly rational responses to a perverse system which encourages a dependency syndrome and gives credence to the notion that there is a right to public assistance." (Chambre de commerce du Québec, written brief)**

> **"As for using and abusing UI, there are always going to be a few who do it, but I believe the majority of the people on UI use it because that is their life blood." (Women's Centre – Chatham, Newcastle hearings)**

Some abuse was seen as stemming from problems embedded in the Unemployment Insurance system itself. In particular, there was criticism of aspects of the program that weaken the incentives to work. Many participants noted that the present system may discourage individuals from accepting a new job at lower pay. Concern was expressed about the diminishing returns from working more than the minimum number of weeks needed to qualify for benefits, and about disincentives for accepting temporary work while on claim. Some were concerned that the system makes it easier for employers to lay off workers rather than to share work. We were told about the "10-week syndrome" – the way that employers and employees in some areas cooperate to ensure that as many in the community as possible get 10 weeks of work in order to qualify for 42 weeks of benefits.

Despite these concerns about abuse, we were particularly impressed by statements from many unemployed people about their strong desire to work and "get off" Unemployment Insurance. The strength of the work ethic in Canada was further confirmed for us by a Decima survey (see box).

Program Administration and Delivery

Many spoke of their frustrations in dealing with the Unemployment Insurance system as recipients, as staff within the system, and as employers.

The need to accept Unemployment Insurance benefits is an unhappy experience for most individuals. Their unhappiness mounts when their needs and feelings are ignored, when they find the system confusing, when decisions about their eligibility for assistance seem arbitrary, when cheques are delayed, when errors are made and appeals are difficult.

The difficulties of those working in the system were also apparent. Regional staff saw the headquarters office in Ottawa as overstaffed and the front line as understaffed. Employees of Canada Employment Centres spoke of the long lines of clients waiting to be served by too few officers, of complex and changing legislation and policies, of continuous auditing of each other's work and of the many tasks that they must perform under impossible deadlines. Many stressed that they wanted to provide more personal assistance to beneficiaries but were unable to do so.

Employers also found the system troublesome. They, too, complained about the complex and confusing nature of the legislation, regulations and policy directives. Many noted the lack of coordination between various parts of the system (particularly between the Department of National Revenue and the Canada Employment and Immigration Commission). The Record of Employment was identified as a significant source of errors and delays. For many employers it was a symbol of the complicated definitions (of insurable earnings and weeks) and confusing procedures (allocating vacation and severance pay to weeks) which characterize the program and consume a disproportionate amount of the time of both staff and employers.

Pensions, Severance and Vacation Pay

The January 1986 changes to the Unemployment Insurance regulations, which treated pensions as earnings while on claim and reduced benefits for many claimants, generated far more response from the general public than any other single issue. Hundreds of letters were received and many formal presentations dealt with pensions either as part of a more general presentation or as a single topic. The strongest feelings were expressed by workers who had retired before the age of 65 (either by choice to take advantage of an early retirement offer or because they were required to

"The concept that the person who pays the freight should have some influence in how the goods are delivered applies here, and our membership would feel that way. If you take the last two years' experience, employers – and by and large our membership are employers – will be contributing nationally somewhere in the range of $4.5 to $5 billion to the Unemployment Insurance program." (Saskatchewan Chamber of Commerce, Regina hearings)

"Humanize the administration of Unemployment Insurance: humiliating interviews, lengthy delays in processing, incomprehensible benefit structures, meaningless job search requirements, inadequate appeal procedures and lack of funding for unemployment centres do absolutely nothing to improve the situation, but only increase alienation from government and government agencies." (Canadian Union of Public Employees, written brief)

"Working in Unemployment Insurance or the employment side is not a very happy job. Dealing with the unemployed day in and day out is something very soul-destroying. The stress of the job is becoming increasingly worse for our members, and it is a subject which both management and union have to deal with very, very quickly." (Canada Employment and Immigration Union, British Columbia and Yukon Territory, Vancouver hearings)

"A major concern is the Record of Employment form. It has been a problem for our members and for the public ever since it came into existence. Nobody understands that form. There are people employed by the Commission who do nothing but try to interpret it to employers." (Canada Employment and Immigration Union, Alberta and Northwest Territories, Edmonton hearings)

Attitudes Toward Work

A Decima Research Ltd. poll conducted for this Commission of Inquiry in February 1986 examined Canadians' reasons for wanting to work, attitudes about their present and potential work, and willingness to work at an unsatisfying job rather than be unemployed.

While the vast majority (98%) said that work was important, almost twice as many (65%) said they worked to live rather than lived to work (35%). Seven out of ten thought they would continue working even if they won a lottery.

Respondents ranked four aspects of work in the following order:

1 the challenge and interest of work;
2 the feeling of contributing to something important;
3 the opportunity to make friends;
4 the prestige and respect associated with a job.

The first two factors were more important overall to anglophone respondents with higher incomes and education; francophone respondents and those with lower incomes and education tended to place greater value on the last two factors.

Most respondents (56%) said they would rather take a boring, low-paying job than be unemployed. This tendency increased with age and was more prevalent among low-income respondents and anglophones, especially in the Prairie provinces. Only 31 percent of respondents thought that jobs are more boring today than in the past.

Two-thirds of respondents – young and old – believed that this generation is less motivated to work than previous generations. Few (5%), however, believed that they themselves were less motivated than other Canadians. Most (80%) maintained that they would willingly work overtime to get a job done. Just under half (41%) said they would be willing to work three-quarters of their current hours for three-quarters of their current pay. Men were less likely to opt for the cut in time and pay than women (62% of men and 54% of women said they would not). Higher-income respondents, anglophones, and Ontario residents in particular displayed the strongest work ethic according to the survey.

Satisfaction with one's job increased with education and was greater among anglophones living in large cities, especially Ontario residents. More people (56%) thought it harder to get ahead in a job now than it was 20 years ago (44%). Opportunity for promotion was very important to Canadians aged 18–24 (43%) and to those aged 55–64 (40%). The importance attached to this opportunity increased with education. Respondents who were most satisfied with their career advancement tended to be anglophone men, in particular Ontario residents.

Almost half of respondents (49%) tended to be optimistic about future employment prospects and believed the unemployment rate will go down. When asked whether Unemployment Insurance had beneficial or detrimental effects on the unemployment problem, 47 percent thought it had both, 33 percent thought the effects were mainly detrimental, and 20 percent thought they were mainly beneficial.

Sample size and composition: 1100 Canadians; proportionally by province; equal number of men and women; included subsample of 100 unemployed.

Accuracy: These results will be accurate to within 3 percent 95 times out of 100.

Source: Decima Research Ltd., "Work and Income Security: A Survey," research study prepared for the Commission of Inquiry on Unemployment Insurance, 1986 (unpublished).

retire early as a matter of public policy) and had expected to receive benefits or to start a new career which would be covered by Unemployment Insurance.

The overwhelming consensus was that pensions should not be treated as earnings while on claim. It was argued that pension incomes are in fact deferred earnings. The inequity of relating Unemployment Insurance to pension income while ignoring income from stocks, bonds and other savings was mentioned. The fact that changes in regulations have removed protection for people already committed to early retirement plans was of particular concern. For some, such as persons in the RCMP and the military, who may be starting a second career, the inclusion of pensions as income may make it impossible for them ever to take advantage of Unemployment Insurance, even though they are required to pay premiums during that second career.

The stated preference on this issue was to see the January 5, 1986 policy on pensions reversed. If this were impossible, an alternative would be to allow people on pensions to be exempt from paying premiums on future earned income, since depending upon the level of their pension the regulation may prevent them from collecting benefits if they should lose their new employment.

Although regulations regarding severance and vacation pay did not generate as much criticism as the pension issue, the complaints were similar. Unions in particular objected to these monies being treated in such a way as to decrease or delay benefits.

"People who receive their vacation pay with each pay get benefits after the waiting period is over, while people who receive vacation pay in a lump sum after or with final pay have UI benefits deducted. This is not equitable. People in seasonal jobs – i.e., construction, tourism – should pay higher premiums. This should be an insurance program based on likelihood of using UI – those who use it more should have to pay more instead of having those people in relatively secure jobs subsidize everyone else." (Corporation of the City of North Bay, Department of Social Services, Sudbury hearings)

"If it's not insult or injury enough that a worker loses his job, he must also be cut off UI for the time severance pay continues. It's divided by how much you normally were making and the workers are penalized." (Unemployed Workers' Union, Bathurst hearings)

The Psychological Meaning of Unemployment

Jahoda describes the psychological meaning of unemployment as follows:

"There are latent consequences of employment as a social institution which meet human needs of an enduring kind. First among them is the fact that employment imposes a time structure on the waking day. Secondly, employment implies regularly shared experiences and contacts with people outside the family. Thirdly, employment links an individual to goals and purposes which transcend his own. Fourthly, employment defines aspects of status and identity. Finally, employment enforces activity.

". . . Nobody prevents the unemployed from creating their own time structure and social contacts, from sharing goals and purposes with others, or from exercising their skills as best they can. But the psychological input required to do so on a regular basis, entirely under one's own steam, is colossal." (Marie Jahoda, "The Psychological Meanings of Unemployment," *New Society* (6 September 1979), pp. 494–95.)

The Psychological Impact of Unemployment

The emotional impact which unemployment has on individuals and their families should not be overlooked. Many described their intense feelings of helplessness and hopelessness. For many, a job is the axis along which the pattern of life is organized. Work is viewed as a yardstick for measuring a person's social worth. A job is more than simply a means of earning money. It is a means of structuring one's time and providing social contacts, as Marie Jahoda observes (see box).

How do the unemployed survive their period of joblessness? Do all people respond in the same way? The answers given at the public hearings seemed to confirm the picture of the emotional extremes documented by social scientists. Job loss leads to an emotional roller coaster, moving through three stages: grieving (characterized by anger, bargaining, depression, and acceptance); job search (accompanied by enthusiasm); and finally, if the job search is unsuccessful, a stage of burnout (characterized by stagnation, frustration, and apathy). Some of these reactions are reflected in the interviews, letters and quotes that are used to illustrate this report, as well as in the group discussions which precede Chapters 5 and 6.

Many asserted that the effects of unemployment on individuals and families add up to serious costs to society as a whole. The social and economic costs of boom and bust cycles were identified and several briefs cited studies which establish the fact that physical and mental health deteriorates with prolonged economic hardship, especially when it is not anticipated. But it was the anecdotal evidence which was compelling. The stories told left no doubt of the significance of unemployment.

"Here it is now, I am in this situation. I feel like I am useless. You feel like you are worthless. You are not a human being any more. You wake up in the morning; you get out of bed; you go and have something to eat; you go back to bed and watch TV. You have nothing to look forward to. You are literally humiliated." (Colin Elias, Toronto hearings)

"Countless studies have shown that people who are unemployed are often plagued by feelings of guilt, humiliation, and uselessness. Physically, they suffer from sleeplessness, mental distress, and a variety of other serious, and potentially fatal, disorders." (Canadian Union of Public Employees, written brief)

"Yet it is not altogether surprising that a scheme created some 40 years ago to deal with cyclical unemployment cannot cope today with what is in large measure massive structural unemployment." (*Calgary Herald*, July 9, 1984)

Summary and Conclusions

The presentations of workers, Unemployment Insurance recipients, employers and many community groups helped to focus this Inquiry on the issues about which Canadians are most concerned. We were asked to examine the ways in which the program has changed; to look at the underlying principles of a social insurance scheme, the organizational structure and the delivery of services. And we were urged to look beyond these immediate issues, to the problems of unemployment not only now but in the future.

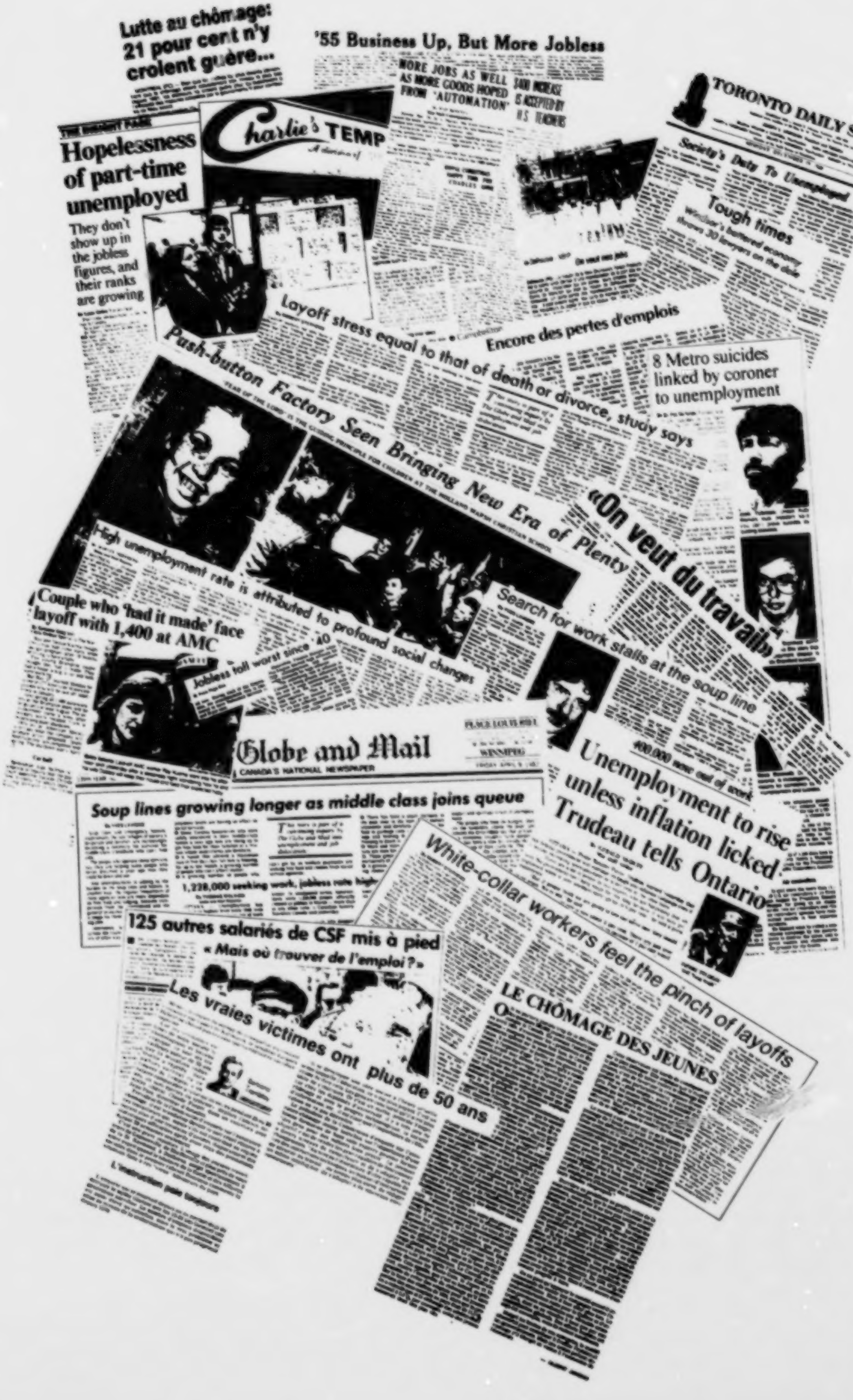
Canadians know that they face a future that will be very different from the past, and that many social and economic changes will undoubtedly result in a new set of needs – and a new definition of financial security. Most working Canadians will continue to depend on Unemployment Insurance to protect them from the full impact of economic forces beyond their control. Employers will continue to depend on it to mitigate the human consequences of difficult business decisions. Both workers and employers will continue willingly to make contributions to support the program.

"What direction is our country going in? Where are we going to be in 10 or 15 or 20 years from now? I think only by projecting the kind of image out that we are going to then find the solutions to the problems as we come to them over the years." (Moncton and District Labour Council, Moncton hearings)

"I got laid off in June. It wasn't only me, there were approximately 15 of us. I went on Unemployment Insurance. It took me a year and a half to get back on the job. Thank you to the Unemployment Insurance Commission, because I had a subsidy." (Edmond Roy, Calgary hearings)

"Over the years, the program was enlarged to cover deficiencies in our society that were not directly linked to short-term work dislocation. It has been used to help correct regional economic variations, to redistribute income, and to provide social benefits not directly linked to loss of employment because of job market disruptions. In attempting to meet such a variety of goals, Unemployment Insurance has become a multi-layered, fragmented, and often negatively perceived program." (Canadian Pulp and Paper Association, written brief)

This central role of Unemployment Insurance in the income security system, the sense of ownership of the program on the part of employers and workers, and the anxiety of Canadians about the future provide the context within which a review of Unemployment Insurance must be placed. Unemployment Insurance has an immense impact on the lives of individual Canadians and their families. It has become an integral part of the economic structure of communities, regions and provinces and because of this, changing the present system will require courage and caution.



Lutte au chômage: 21 pour cent n'y croient guère...

'55 Business Up, But More Jobless

MORE JOBS AS WELL AS MORE GOODS HOPED FROM 'AUTOMATION'

TORONTO DAILY STAR

Society's Duty To Unemployed

Tough times

Windsor's battered economy shows 30 lawyers on the dole

Hopelessness of part-time unemployed

They don't show up in the jobless figures, and their ranks are growing

Charlie's TEMP

Layoff stress equal to that of death or divorce, study says

Encore des pertes d'emplois

8 Metro suicides linked by coroner to unemployment

Push-button Factory Seen Bringing New Era of Plenty

«On veut du travail»

High unemployment rate is attributed to profound social changes

Couple who 'had it made' face layoff with 1,400 at AMC

Jobless toll worst since '40

Search for work stalls at the soup line

Globe and Mail

CANADA'S NATIONAL NEWSPAPER

WINNIPEG

400,000 now out of work

Unemployment to rise unless inflation licked, Trudeau tells Ontario

Soup lines growing longer as middle class joins queue

1,228,000 seeking work, jobless rate high

White-collar workers feel the pinch of layoffs

125 autres salariés de CSF mis à pied

« Mais où trouver de l'emploi ? »

Les vraies victimes ont plus de 50 ans

LE CHÔMAGE DES JEUNES

Unemployment: Changing Views, Persistent Problems

World War II lifted Canada into boom times that almost, but not quite, made people forget how poor and desperate many Canadians had been during the Great Depression of the 1930s, when no worker's job was safe. Unemployment Insurance – introduced in 1940 – was the federal government's response to the lingering fear of a return of unemployment.

Nonetheless, the postwar years were difficult for some. Many women who had held factory jobs in the war effort returned to the home to make room for veterans. Soldiers trying to pick up the threads of their lives in civilian occupations made up the bulk of the unemployed. Their job prospects improved in the postwar boom, as factories switched to civilian production to meet the demands of people hungry for consumer goods.

Unemployment continued to be low into the 1950s as the Canadian economy expanded rapidly to meet the rising demand for houses, appliances, cars, entertainment and other aspects of the good life. When unemployment did occur, it tended to be seasonal and expected: layoffs in fishing and construction off-seasons or annual retooling in the auto industry were prime examples. There was also some cyclical unemployment resulting from a downturn in the business cycle, but it was normally short term.

Typically, the unemployed worker of the 1950s was a man who worked in a resource-based industry or a factory. While unemployment was a serious problem for these men and their families, their numbers were too small to make a major impact on public consciousness.

Automation was such a new word in 1954 that newspapers mentioned it in quotes. As a concept, it was hailed by business as a creator of jobs, employment and wealth, and feared by labour as a destroyer of jobs, establishing battle lines that still exist today.

The composition of the labour force began to change noticeably in the 1960s. Growing numbers of women, attracted by the rewards of a career, moved from the home into factories and offices. The economy was healthy and expanding, and there were plenty of jobs.

The typical unemployed worker of the 1960s resembled that of the 1950s. But for the first time, women made up a significant proportion of the unemployed.

Other economic trends were apparent that would affect the labour market. Japan and other previously minor producing/exporting nations began to compete seriously in international industrial markets. North American manufacturing started losing jobs to low-wage areas of the world. Huge amounts of federal funds were spent and protective legislation was introduced to maintain operations in specific parts of the country.

In the late 1960s, federal politicians and fiscal planners began to advocate fighting inflation at all costs. For many people, the price of this policy was increasing unemployment. The issue of jobs became increasingly important to more and more Canadians.

Concern about inflation became an obsession in the early 1970s – as did the growing numbers of unemployed, especially among the young. The energy boom created many jobs for Canadians in the oil and gas industries early in the decade, but by the early 1980s, the energy industry was in crisis and by the mid-1980s, thousands in the industry were out of work.

Computer technology was no longer new. It enabled more accurate assembly and greater productivity at a much lower cost, and its use became essential in almost every aspect of manufacturing.

Japan and the European Common Market finally shattered the North American dominance of international manufacturing markets, largely by means of superior technology. Factories cut production or wheezed to a halt. Male blue-collar workers began to be unemployed more often and for longer periods, and white-collar workers and middle managers also began to be laid off in large numbers. Under the rule of "last hired–first fired," more women and young people joined the unemployed, because they were less established in the work force. Suggestions were made that unemployment might be the result of "profound social changes."

The service sector and a growing government bureaucracy created more jobs. Women began to compete more directly with men. Where experience was less valuable than a modern education, young people had an edge. These are some of the reasons women and young people participated in the labour market in larger numbers than ever before, and men held an accordingly smaller proportion of it.

The 1981–82 recession affected everyone – man and woman, young and old, single parent and executive. Everyone knew someone who was directly hurt.

Young people found themselves out of work and, with little education and experience, at the bottom of a very large heap. They might be able to get casual work, but it was hard to get anything that lasted or offered a future. Parents enjoying the new-found freedom of an "empty nest" suddenly found themselves with adult children to support again. Workers aged 50 years and older who had thought themselves secure until retirement found themselves laid off or "redundant." With years of experience that were no longer relevant, they too had trouble getting anything but short-term jobs. The recession aggravated a trend in many industries to trim labour costs in order to maintain profits and remain more competitive.

Everywhere, dreams were shattered. Young couples with a house, a dog, a car and a baby on the way suddenly no longer knew how they would keep up the mortgage payments. Ambitious executives no longer knew what to do with their lives as their careers ground to a halt. A university education or a job in the civil service was no longer a guarantee of a secure job.

Four years after the worst economic crisis since the Great Depression, large numbers of workers are still unemployed. Many have compromised: they may not work the number of hours they would like or in their chosen profession, but they do have jobs. They are called "underemployed." Others have been less resilient or fortunate. They have not found any kind of steady work. In many cases, they have given up and dropped out of the labour force – and out of the unemployment statistics. They are called "discouraged workers." They include not only older workers who have lost their niche in the labour force, but also young people who never had the chance to find one.

Now, in 1986, it is obvious that the Canadian economy has gradually recovered from the worst of the recession. But we cannot say that "happy days are here again." Prosperity is sporadic; there are relapses. Once again, just as half a century ago, no worker is safe from the threat of unemployment. There is no one typical unemployed worker in 1986. Many are at risk.

Chapter 2

Employment and Unemployment

Introduction

Being unemployed or out of work is fraught with difficulty – for those studying it as well as for those experiencing it. What does the average Canadian mean when he says that he is unemployed? What does she think when she sees the latest statistics on the unemployment rate? Is a construction worker unemployed when he has no work in December? How is he different from a farmer? Does a factory worker on layoff and awaiting recall have a job or is he unemployed? Is a woman unemployed when she is on maternity leave?

In order to assess the Unemployment Insurance program in Canada and recommend changes to improve it, one needs to define unemployment and understand how it affects people and the economy.

"Well, I need the job, firstly for self-dignity, to feel that I am still worth something. And secondly, I need the money." (Albert Kaminski, Vancouver hearings)

Defining Unemployment

Canadians, like most people around the world, define themselves and their contribution to society by the work that they accomplish. The importance of work in their lives was made clear by many individuals during the process of the consultations. "Work" is activity that creates something of value for the individual or society. But many different activities fit that definition, and only some of them are equated with earning income. These activities include:

- working for pay for an employer;
- working in a self-employed activity – e.g., working for fees in a profession or trade, running a business or farm, performing a service for fees;
- working in the "informal economy" under some barter arrangement;
- working at volunteer activities;
- working in or around the home, caring for children, doing housekeeping work, gardening; and
- working as a student in school or in a training program.

Not all these types of work generate purchasing power. In general, when persons in our society talk about work they mean working for pay for an employer or earning income in a self-employed capacity. The significance of becoming unemployed, then, is the loss of access to purchasing power. The unemployed may also lose their sense of importance – of contributing to their own support or that of their family or community.

When the focus is on the relationship between working (or not) and pay, it is important to recognize that a person may be:

- employed or self-employed and earning income;
- temporarily without earnings but expecting to return to a job;
- unemployed with no earnings and with no job to return to; or

"It is through work that the individual can make plans for his life style and future and can provide for his family. Moreover, the individual relies, to a very large extent, on work-related income to meet all his responsibilities." (Fédération des syndicats du secteur aluminium inc., written brief)

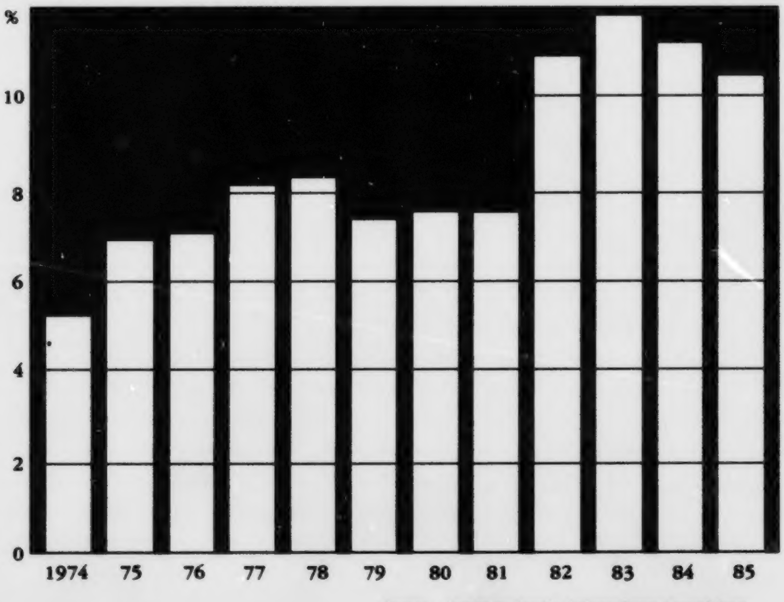
- outside of the labour force (retired people, homemakers, people unable to work, students) and living on pensions, student grants, savings or income from others.

Throughout most of this report, "work" means working in paid jobs. Within this context Unemployment Insurance is concerned with earnings which arise from an employer/employee relationship. Unemployment involves an interruption or cessation of those earnings.

"Most people today relate 'work' to a 'job,' 'employment' to a job with an 'employer' and 'unemployment' to 'being out of a job'." (Government of Prince Edward Island, written brief)

Unemployment may result from different kinds of events. Some events, such as the closure of a plant, the bankruptcy of a business, or a cutback in staff, lead to permanent severing of the relationship between a particular employer and employee. This is the job-loss situation which is generally regarded as unemployment.

Figure 2.1
Unemployment Rates in Canada, 1974–85



Source: Statistics Canada, *Labour Force Annual Averages 1975–1983* (Cat. no. 71-529), 1984; and *The Labour Force, December 1985* (Cat. no. 71-001), 1986.

There are other events, however, which result in a temporary interruption of employment earnings. When a plant lays off part of its work force because it has reduced production, workers become unemployed although their relationship with their employer has not been broken – in fact, they may have a recall notice which gives them continued rights to their job. Women on maternity leave, workers who are away from their jobs due to illness, and workers in seasonal industries also experience a temporary interruption in their earnings and are unemployed.

In Europe, benefits to workers on temporary layoff with recall are usually covered by collective agreements, and benefits for maternity and sickness are paid by other parts of the social security system. In many American states, premiums paid for Unemployment Insurance are higher in industries with a record of frequent layoffs. The Canadian Unemployment Insurance program covers unemployment regardless of its cause. That fact has been the subject of considerable debate over the years and will be discussed later in the context of the income security system in Canada. (A brief description of the Unemployment Insurance program in Canada is included in Appendix F.)

The Significance of Unemployment

Unemployment has a significant impact not only on individuals but also on the economic and social life of a country. Although economists debate the exact cost of unemployment in terms of lost production, they agree that, with unemployment in Canada in the past year hovering near 10 percent, the extent of the forgone output of goods and services represents a significant loss to everyone, both to society and to individuals. That loss can never be recovered. It makes everyone poorer today and, to the extent that some of the lost output would have been invested, poorer in the future as well. The loss of this potential output (that is, of the goods and services that could have been produced with existing resources) is not simply an abstraction. Individuals experience it as a personal loss through a reduction in their employment earnings and in their purchasing power.

Even more disturbing is the rising trend of unemployment. In the early 1970s, national unemployment rates hovered just above 5 percent; in the last few years – a period of economic recovery – the unemployment rate has dropped from nearly 12 percent to 9.5 percent. These statistics support other evidence presented throughout this report that the economy is undergoing a fundamental restructuring. It becomes increasingly important, therefore, to understand the dynamics of the labour market and the ways in which both employment and unemployment are measured.

"We happen to pay out a lot of money in welfare in Manitoba for those beyond the Unemployment Insurance system. But the real loss is the loss of goods and services that are not being produced by the unemployed. I mean, we are all losers." (Government of Manitoba, Department of Employment Services and Economic Security, Winnipeg hearings)

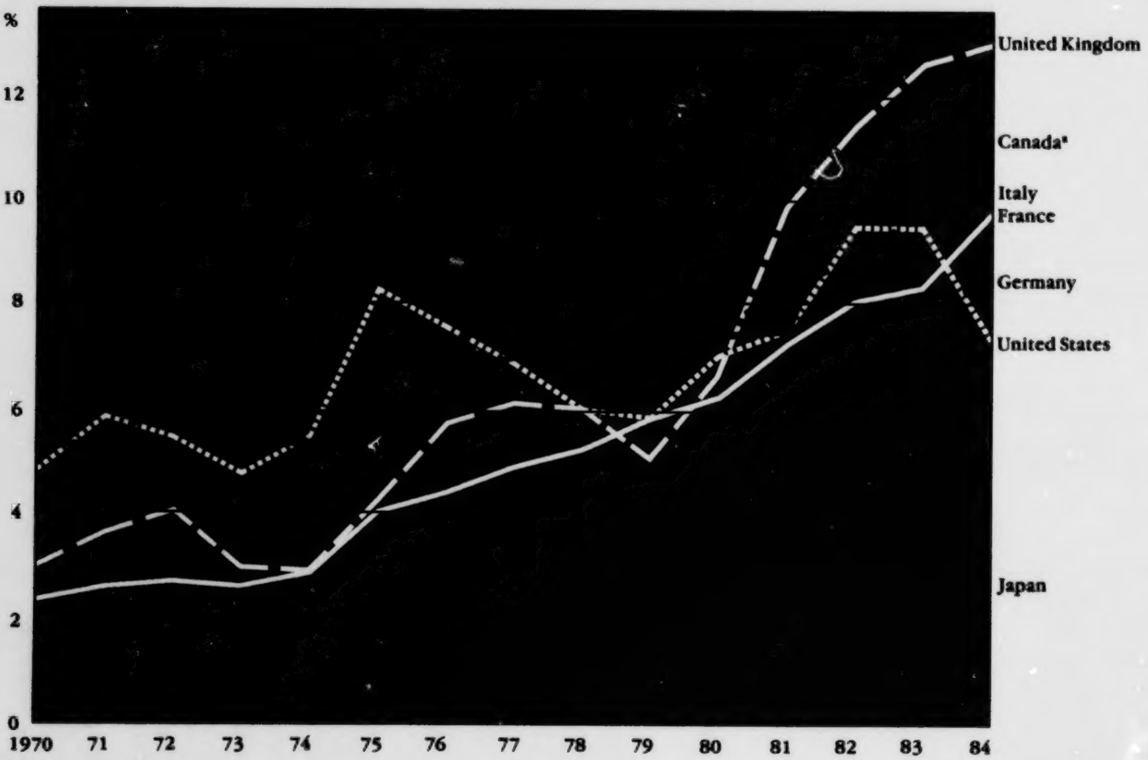
"Our society pays a very large cost for high rates of unemployment. In 1982, the estimated cost was $78.3 billion. There may be tremendous costs involved in creating sufficient work for all the people who want it, but they are obviously less than the costs we incur as a society under current circumstances of lost training outlay, lost production, lost earnings, lost taxes, increased social welfare costs and UI benefits as well as the costs of increased mental and physical stress." (National Action Committee on the Status of Women, written brief)

The Dynamics of the Labour Market

The official unemployment rate reflects the proportion of the labour force who are out of work at a specific moment in time (see Figure 2.1). That rate is one of the most frequently cited indicators of economic performance in Canada. Most Canadians are so familiar with the unemployment rate that it is referred to as if it were a thermometer showing the health of the economy. The measured unemployment rate is used to compare our past and current performances, and to compare ourselves with other countries (see Figure 2.2).

The main problem with concentrating on this single number to the virtual exclusion of all others is that it provides only a snapshot of the economy at one moment in time. But the economy is always in a state of flux and unemployment is too complex to be described adequately by a single figure. There is continual turnover in the labour market as workers change jobs, lose jobs and search for new ones, or leave the labour force

Figure 2.2
Standardized Unemployment Rates in Selected OECD Countries, 1970–84



[a] Canadian unemployment rates have historically been close to those in the United States. In terms of unemployment, Canada's recovery from the recent recession has lagged behind.

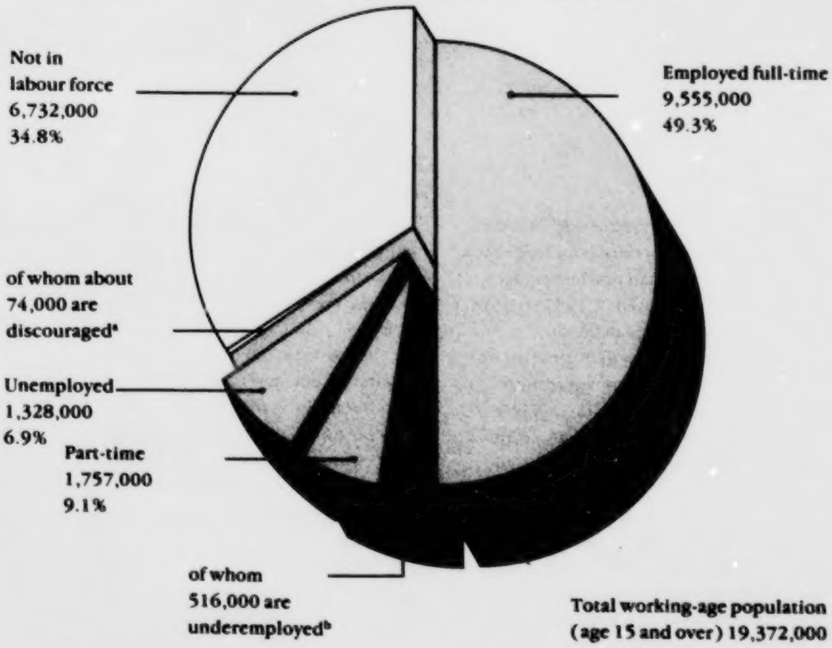
Source: Organisation for Economic Co-operation and Development, *OECD Employment Outlook 1986* (Paris: OECD, 1986).

altogether, while new people enter. Similarly with employment opportunities, firms and whole industries expand and contract, relocate and restructure to meet technological change, market competition and shifting demand patterns.

In 1985, 58 percent of the working-age population (aged 15 and over) were employed full time or part time, 7 percent were unemployed, and 35 percent were not in the labour force (see Figure 2.3). However, when one examines the extent of movement between these various employment situations, it becomes apparent that many more persons are affected by unemployment than suggested by the annual unemployment rate. In 1985, of those who were employed at some time during the year, only 63 percent were employed for the entire year. The other 37 percent – over five million people – changed their employment status at least once during the year. Even among the 63 percent who were employed all year, many changed jobs without spending any time unemployed. During

Figure 2.3

Composition of the Canadian Population of Working Age, 1985



[a] Persons who did not seek employment because they believed no job was available.
[b] Persons who worked part time but would have preferred full-time employment.

Source: Statistics Canada, *The Labour Force, December 1985* (Cat. no. 71-001), 1986.

Unemployment Statistics

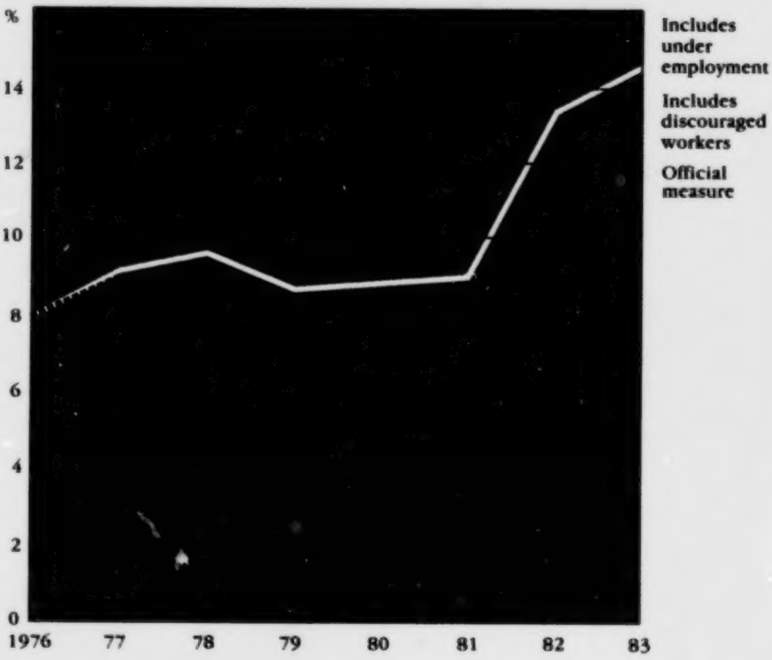
Statistics Canada estimates the size of the labour force on the basis of a monthly survey. The Labour Force Survey is addressed to 48,000 households in the ten provinces and represents the responses of approximately 100,000 individuals of working age (15 years and over). (The survey does not include the two territories, native people living on reserves, or inmates of penal institutions.) The "official" rate of unemployment is based on a definition of unemployed persons as those who:

- were without work, had actively looked for work in the past four weeks, and were available for work; or
- had not actively looked for work in the past four weeks; but had been on layoff and were available for work; or had a new job to start in four weeks or less from the reference week, and were available for work.

The total labour force is made up of those employed as well as unemployed, and the unemployment rate is the number unemployed as a proportion of the labour force.

The official definition of unemployment provides a standard reference point for labour market comparisons, but it must be recognized that no single measure can adequately reflect all facets of the unemployment problem. Some considerations include: the underestimation of average duration of unemployment because the survey measures incomplete spells of joblessness; the omission of jobless individuals not engaged in active job search because they believe no work is available ("discouraged workers"); and those who work part time because no full-time work is available (the underemployed). The accompanying graph illustrates alternative measures of unemployment rates.

Various Measures of Unemployment



In 1984, an average of *480,000* persons withdrew from the labour force each month, more than half of whom were previously unemployed. A 1982 study by the Economic Council of Canada estimated that as many as 20 percent of the withdrawals from unemployment represent discouraged workers. Their presence blurs the official distinction between "unemployment" and "non-participation in the labour force," and their inclusion in the numbers of unemployed would change the estimates of both the incidence and duration of unemployment. This figure shows the Statistics Canada definition of discouraged workers: those jobless who looked for work in the previous six months, but did not do so in the four weeks prior to the survey because they believed no work was available.

The third estimate includes an attempt to account for the degree of "underemployment" in the economy by portraying employment, and unemployment, in terms of hours lost and hours worked. It also includes those part-time workers who would prefer to be working full time.

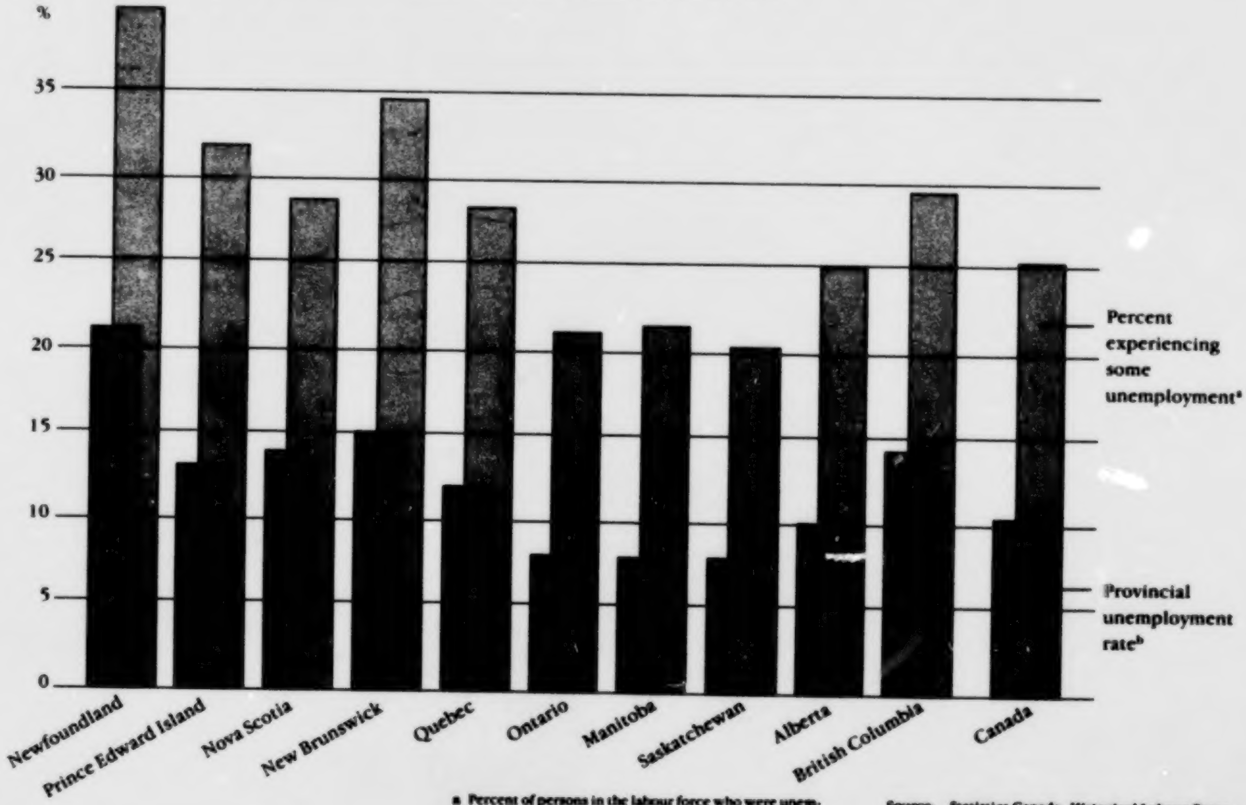
Source: Statistics Canada, *Supplementary Measures of Unemployment: An Update* (Cat. no. 71-X-512), 1984.

1984/85, 6 million Records of Employment were issued by employers, each indicating a cessation or interruption of employment. With 13.7 million employed at some time in the year, this number indicates considerable change in employment situations – from employment to unemployment or to a different employer, or to being out of the labour force. In 1985, when the unemployment rate averaged 10.5 percent, the number of persons unemployed at some time during that year was 25.4 percent of the population in the labour force (see Figure 2.4).

"There were, in September 1985, officially 1.2 million Canadians unemployed. Best estimates of the real numbers of unemployed annually run about 36 percent higher than the official rate. So it can be reasonably assumed that there are about 1.6 million Canadians actually out of work. Furthermore, there are a growing number of people working part time, not as a matter of choice, but rather because there is no full-time work available. In the last month alone, the number of part-time workers increased by 2.7 percent, to a total of 1,785 million members of the work force." (Alberta Federation of Labour, written brief)

Figure 2.4

Provincial Unemployment Rates and Incidence of Unemployment, 1985



a Percent of persons in the labour force who were unemployed for part of the year.
b Annual average of monthly rates.

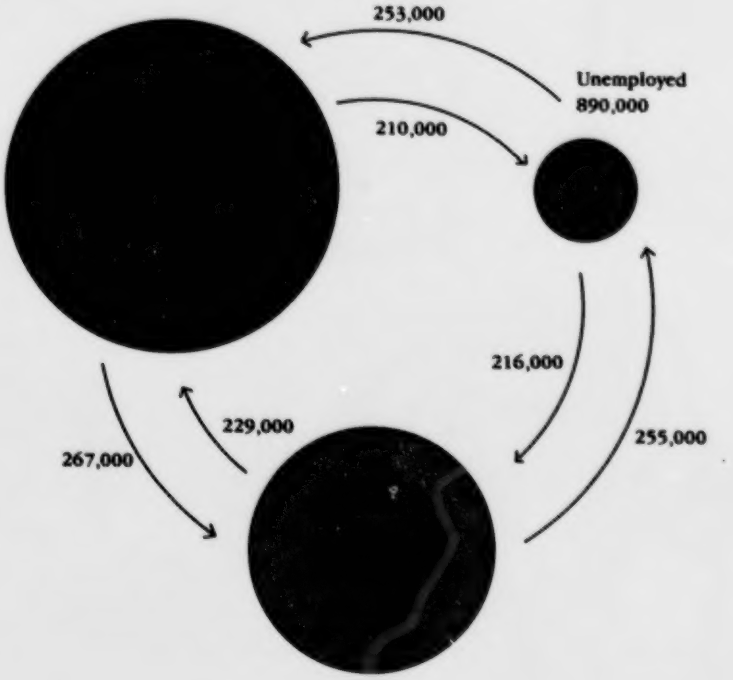
Source: Statistics Canada, *Historical Labour Force Statistics* (Cat. no. 71-201), 1986; and "Annual Work Patterns Survey," *The Labour Force, March 1986* (Cat. no. 71-001), 1986.

"The Unemployment Research Group conducted a rigorous telephone survey of households in the Vancouver–Kingsway electoral riding during a three-week period in July and August 1985. This survey discovered that 30.5 percent of the respondents were unemployed. At the same time, the official unemployment rate for Vancouver was given as 11.9 percent. This survey also discovered that the rate of underemployment was 17.2 percent and that the combined unemployment and underemployment rate was 47.4 percent." (Vancouver and District Labour Council, written brief)

Figure 2.5 illustrates the discrepancy between the official rate and the actual number of unemployed workers in another way. On average, between October 1983 and September 1984, the total number of unemployed remained almost constant at about 1.35 million. There was, however, substantial movement of individuals. Each month, one half of the unemployed either found jobs or left the labour force and were replaced. Of those who ceased to be unemployed, 216,000 on average left the labour force altogether (some being "discouraged" workers), while 229,000 who had been non-participants in the labour force found employment without first being counted as unemployed. This illustrates that unemployment is a much more widespread occurrence than is indicated by the official unemployment rate. Little of its pervasiveness is conveyed by that one static figure. Ignoring this "churning" of the labour market can mislead policy makers.

Clearly, unemployment is a significant problem – a problem which annually affects one in four Canadians who want to work. It is a problem that will continue. No one can predict with certainty that he will never need Unemployment Insurance. In fact, it is more likely that at some time he will. One of the participants in the public hearings summed this up rather well when she quipped "UI stands for 'you' and 'I'."

Figure 2.5
Labour Force Flows, October 1983 to September 1984
(Annual averages)



Note: Figures within the circles represent the average of the monthly number of persons who did not change their labour force status.
Source: Statistics Canada, unpublished data.

A Reflection of Expectations: Participation Rates

The rising trend in unemployment results from the interplay of two important developments in the labour market: first, a strong and steady growth in the number of jobs in the economy; and second, an even stronger growth in the number of Canadians who want jobs.

The participation rate is defined as that proportion of a particular population who are active in the labour force – that is, who are employed or would like to be employed. Despite Canada's strong record of employment growth in the last few decades, the number of persons entering the labour force has outstripped the increase in jobs.

The most significant changes in the labour force in recent decades have been the result of three factors: the increasing participation of women; the impact of technological and structural changes on older workers; and the maturing of the "baby boom" generation. Each of these changes has policy implications for employment and for the Unemployment Insurance program.

These changes reflect changing social values and heightened economic pressures. Among the new patterns are:

- Non-traditional families. A growing number of men and women, single or married, with children or childless, are now members of various kinds of "families" or households. In fact, only 62 percent of the population now belong to a traditional nuclear family.
- Two pay cheques. Fully 57 percent of husband-wife families count on two (or more) pay cheques to provide housing, food, education and other necessities. The average worker is no longer predictably a male, head-of-family wage earner.
- Non-traditional work. Increasingly, men and women are stepping outside their traditional roles, both at home and in the workplace.
- Flexible work hours and job structures. Work sharing, more part-time work, flexible schedules and independent contracting have become increasingly common occurrences.
- Flexible places of work. Rapid expansion of the information industry is providing opportunities for workers to perform their work without leaving home.

The Increasing Participation of Women

The participation of women, especially married women, in the labour force has increased steadily and rapidly since the 1950s. The decision of more women to become part of the work force and to remain in it throughout most of their adult lives reflects new economic and social realities. Women are revising plans and expectations, and are questioning traditional assumptions and choices. These changes show no signs of reversing themselves. In fact, in some countries with which Canada has the most affinity – the United States and countries in northwestern

"As the Wallace Commission has pointed out, women over 25 years old who work part time contribute approximately one-fourth of total family earnings; 70.2 percent of female part-timers earned less than $5,000 in 1981. When this contribution of less than $5,000 actually represents one-fourth of a family's earnings, we can calculate that the husbands of part-time workers are earning $10,000 to $15,000 a year, on average. These then are not rich housewifes dabbling in the labour market. The income these women earn is necessary to keep the family out of poverty. The lower the family income exclusive of the wife's contribution, holding all other factors constant, the higher the participation rate of women." (National Action Committee on the Status of Women, written brief)

"The composition of the labour force is changing. Women are increasing their participation in occupational fields traditionally held by men. As economic and family patterns change there are more families with single parents or with two working parents. This makes families more vulnerable to unemployment and in greater need of flexible work patterns." (Canada Employment and Immigration Advisory Council, written brief)

"In the next ten years, seven out of ten of the persons entering the labour market will be women." (Canadian Congress for Learning Opportunities for Women, Regina hearings)

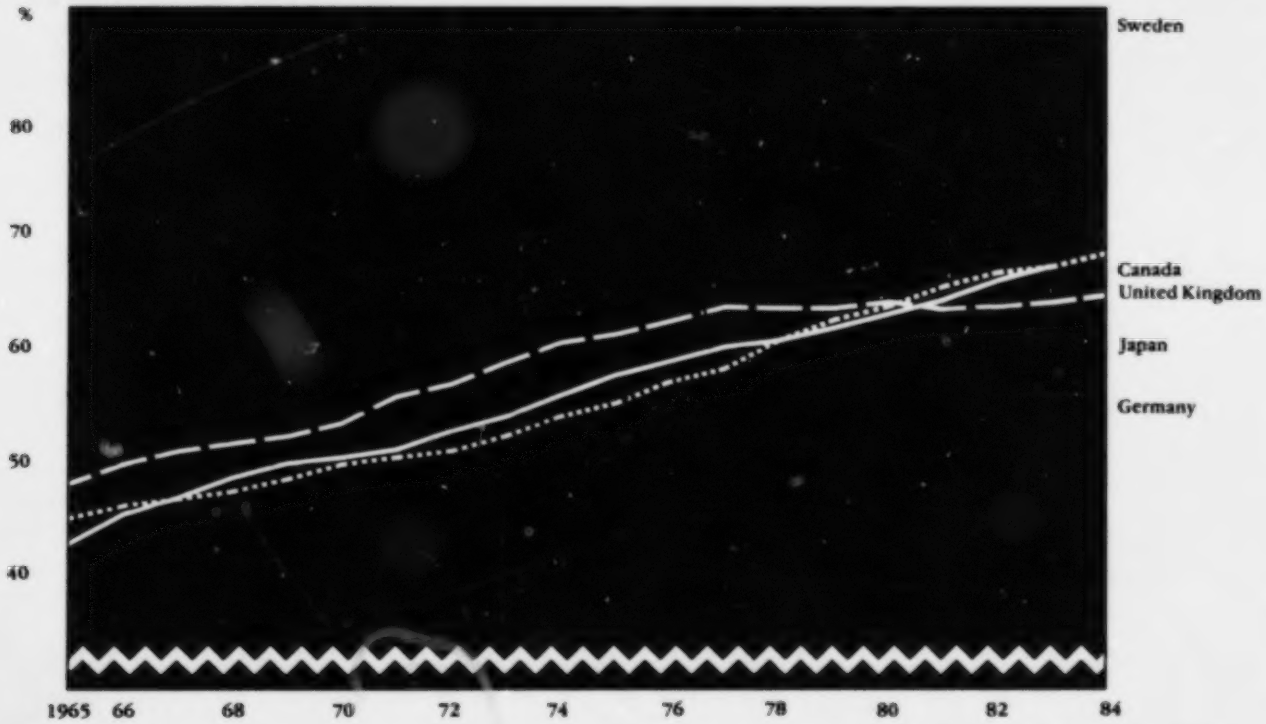
Europe – female participation rates are higher than in Canada (see Figure 2.6). In Sweden, a country which has made great progress in the areas of employment and pay equity and in the provision of daycare services, the participation rate of women aged 25 years and over exceeds 85 percent.

In Canada, however, the responsibility for child care still falls mainly upon women, and labour force data show that women in households with preschool children experience both lower participation rates and higher unemployment rates than women with older children (see Figure 2.7). It is not known to what extent this lower participation rate reflects a preference for staying at home during the preschool years and to what extent it stems from difficulties in reconciling labour market participation with child-care arrangements. Nonetheless, it is likely that the participation rate of Canadian women will continue to rise.

"In Canada and other industrialized countries today, women no longer automatically drop out of the work force when they have children. Most take a brief period of maternity leave and then return to work. In the United States in 1982, more than 41 percent of mothers were back at work before their child was one year old. In 1975, only 35 percent of mothers with preschool children worked outside the home. By 1983, 52 percent of mothers with preschool children participated in the work force. In fact, 69 percent of all Canadian women in their prime childbearing years, that is, between the ages of 20 and 44, participated in the work force in 1983." (Ontario Coalition for Better Day Care, written brief)

Figure 2.6

Labour Force Participation Rates of Women Aged 25–54 in Selected OECD Countries, 1965–84



Source: Organisation for Economic Co-operation and Development, *Labour Force Statistics 1963–1983* (Paris: OECD, 1985).

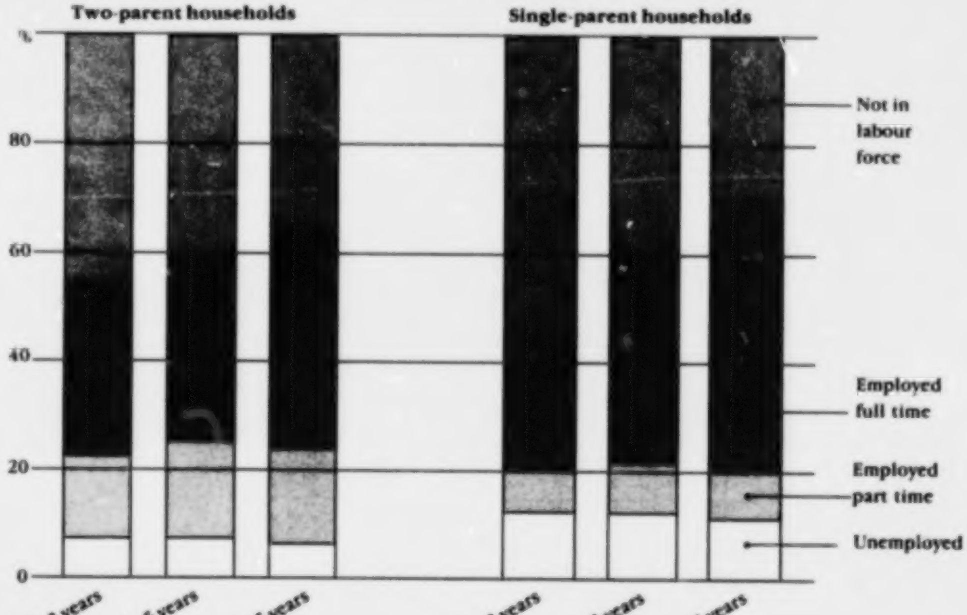
Older Workers

There has been a dramatic shift in the employment patterns of older workers. The participation rate of men aged 55 to 64 has declined by more than 10 percentage points (from 81.9 percent in 1961 to 70.2 percent in 1985) while that of women in the same age group grew by almost 10 percentage points (from 24.4 percent to 33.8 percent). Over the period 1966 to 1985, the number of those aged 55 to 64 outside the labour force grew twice as rapidly as the number who stayed on the job. Older workers remain unemployed much longer than those in other age groups. In March 1985, the average duration of unemployment for older female workers was 23.4 weeks, 2.1 weeks longer than the average for all unemployed women, and older men were unemployed for 31.8 weeks, or 7.8 weeks longer than the average for all unemployed men.[1] Those affected by these changes are mostly men in blue-collar occupations and in industries with a declining share of employment. Older workers who are displaced as a result of technological changes are likely to experience more difficulty in retraining or relocating than their younger counterparts, and employers may be more reluctant to hire them. Older workers form a substantial proportion of those who drop out of the labour force because of discouragement.

"Fifteen to 20 years ago we had 135,000 non-operating railway workers. We are now down to almost half of that. I think it is 55,000 to 60,000. That is half in 20 years. Where are people going to work? High tech jobs? I know our industry is being transformed. Right now, if I am away from work for two or three months, when I come back, I say, hey, what's going on here? I don't even know what's going on anymore. That is one of the reasons why our older workers want to get out. Quite truthfully, a lot of our older workers want to get out because they can't cope with it." (Brotherhood of Railway and Airline Clerks, Thunder Bay hearings)

Figure 2.7

Labour Force Status of Women with Children Under Age 16, 1985



Source: Statistics Canada, *The Labour Force, December 1985* (Cat. no. 71-001), 1986.

"You have to realize that people get burned out about age 55. Sometimes their employability is compromised. As anybody at 55 who is marching for a job would attest, it becomes very difficult." (Southern Alberta Building and Construction Trades Council, Calgary hearings)

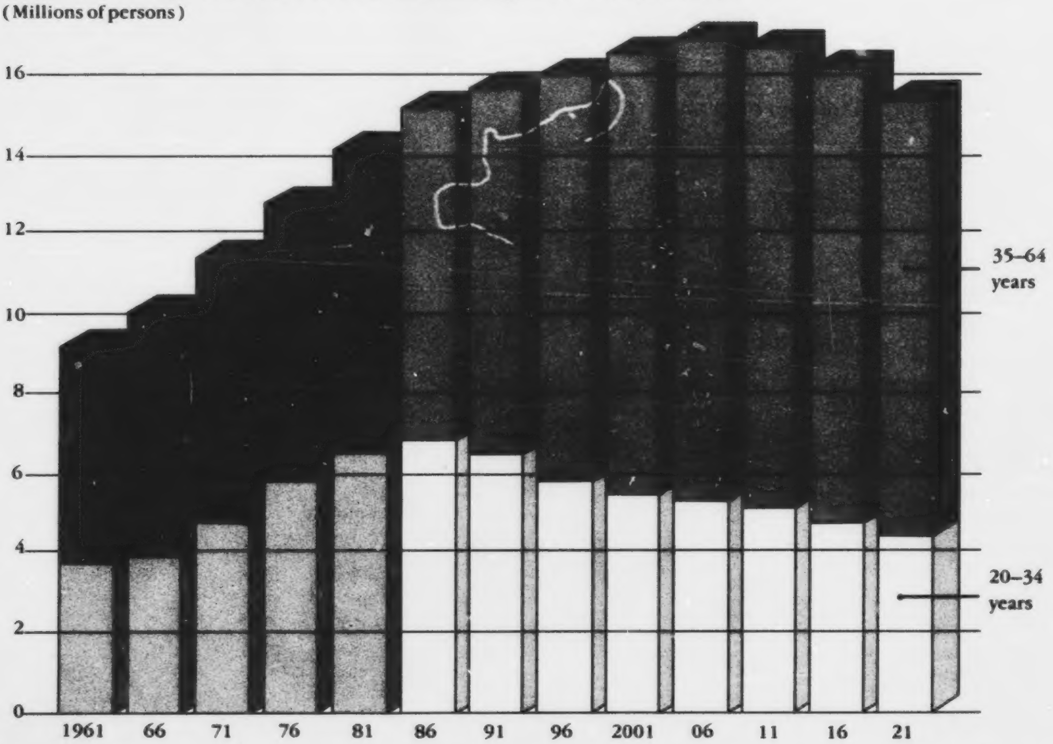
As can be seen from Figure 2.8, the population aged 20 to 64 will continue to grow until the first decade of the next century. Even if future participation rates remain the same as current rates, there will be a need for strong employment growth to accommodate these workers. By the year 2020, between 20 and 25 percent of the Canadian population will be aged 65 or over. This "aging" of the population means that over the next three decades or so the number of dependent persons relative to the working-age population will be somewhat lower than has been the case historically, but the dependent population will be made up increasingly of elderly persons.[2]

The factors that determined retirement practices and preferences in the past are changing. Mandatory retirement is being challenged by provisions for non-discrimination in the Canadian Charter of Rights and Freedoms. The federal government has expressed a commitment to

Figure 2.8

Actual and Projected Number of Canadians Aged 20–64, 1961–2021

(Millions of persons)



Note: Projection is based upon a relatively low total fertility rate of 1.5.

Source: Statistics Canada, *Current Demographic Analysis, Fertility in Canada* (Cat. no. 91-524E), 1984.

facilitate flexible pension arrangements. The greater availability of part-time jobs and the introduction of partial retirement may increase the attractiveness of prolonged labour force participation. The available empirical evidence from the United States (where the retirement age has been pushed back to 70) and from Quebec (where the usual retirement age was legislated away in 1982 and where the Quebec Pension Plan has been made more flexible) suggests, however, that these measures may have a very small effect on retirement decisions. Finally, beyond the turn of the century, there may well be an increase in overall demand for labour relative to supply and this may lead employers to increase incentives for continued full-time and part-time employment for older workers. This may reduce or even reverse the trend to earlier retirement.

"There were two age groups in our local union most affected by the continuous high unemployment; namely, the young members between the ages of 18 and 28 – that group is mainly made up of apprentices, and we have massive unemployment among our apprentices – and the 50 and older age group." (United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada, Local Union 170, Vancouver hearings)

Young Adults

The "baby boom" generation of the 1950s has had a profound impact on our society. It sparked growth in the retail market, affecting sales of everything from disposable diapers to records and stereos and to houses and furnishings. The size of this group was responsible for the construction and subsequent depopulation of elementary schools, secondary schools, and even colleges.

"The postwar work force has rapidly expanded on the labour market if it is realized that between the 1970s and 1982, the number of people employed in Canada increased by 50 percent." (Fédération des syndicats du secteur aluminium inc., written brief)

Traditionally, young people entering the labour market tend to experience higher unemployment rates than older, established workers. But the rates during the period when the baby boom generation reached working age were exceptional. In 1963, the unemployment rate for youth (aged 15 to 24)[3] stood at 9.3 percent, while the rate for those aged 25 and over was 4.3 percent. In 1983, the youth rate had reached 19.9 percent and the adult rate 9.4 percent. The adverse effects of experiencing unemployment at the outset of their working lives may accompany the baby boomers into the future. To the extent that competition for jobs is significantly concentrated among those of similar age (who are likely to have similar kinds of skills and experience), it can be expected that this group will continue to have somewhat higher rates of unemployment. There is also the possibility that the baby boomers, now over age 30, will hold on to jobs traditionally held by younger workers, raising the threat of continued employment problems for those born after the baby boom.

All of these demographic trends show clearly the need for foresight in developing economic and social policies to respond to changes in the age structure of the population and, especially in the near term, the need for growth in employment.

"There are available some quite reliable projections from Statistics Canada concerning first-time job seekers entering the labour market over the next five years. Those projections seem to indicate that the number of young people entering the job market will decline rapidly as time goes on and as the demographic profile of Canada shifts toward an older population. So the problem of youth employment may be mostly a short-term priority . . . Structural unemployment will, however, remain a serious concern in the form of a large group of mid-career baby boomers unable to move along career ladders due to competition from their peers and an entrenched upper echelon of individuals not much older than themselves." (Canadian Hospital Association, Ottawa hearings)

Economic Achievement: Employment Growth

Canada's record of employment growth in recent years has been strong – stronger, in fact, than that of all other Western industrialized countries. Over the period 1974–82, more than half of the 1.1 million net increase in jobs were in the financial and service sectors, and more than half of these were created in businesses with fewer than 20 employees. Both statistics reflect the shift in employment away from the traditional sources of jobs – blue-collar employment in resource-based industries and jobs in medium-sized businesses. Two-thirds of all jobs created were in new firms rather than in the expansion of existing firms (see Figures 2.9 and 2.10). The growth of employment holds true even in light of the shift from full-time to part-time jobs. Since 1975 the relative importance of part-time jobs has increased by 50 percent, from 10.6 to 15.4 percent of all jobs.[4]

A comparison with the growth in employment for selected OECD countries shows how dramatic the growth in employment in Canada has been, particularly since the mid-1970s (see Figure 2.11). In fact, employment growth in Canada has been positive in all but two of the last thirty years, in spite of five recessionary spells over that period. The ratio of employment to the population aged 15 and over (Figure 2.12) is equally revealing; it shows that Canada's employment ratio now exceeds that of most industrialized countries.[5] These statistics illustrate that Canada's record of high unemployment over the past decade cannot be attributed to weak employment growth, nor to any fundamental breakdown in the economy.

"Given the kinds of structural changes currently occurring in the economy, it is going to become of considerable importance that this country adopt policies to facilitate the transition of workers from one type of work to new types of work." (Social Planning Council of Metropolitan Toronto, Toronto hearings)

Structural transformation is occurring in virtually all industrial sectors, where machines are replacing workers. Forestry, mining and manufacturing are particularly at risk in the Canadian economy. In addition, the impact of the global economy and our lack of international competitiveness have resulted in the permanent restructuring of industries such as steel, agriculture and oil. From the point of view of an employment strategy and an Unemployment Insurance program, these changes represent a fundamentally different reality from the economic environment of Canada from the 1940s to the 1970s. This evidence of structural transformation within industrial sectors coexisting with rising unemployment levels in each of these sectors is another reminder that the "creative destruction process" at work in a competitive economy is not without costs – particularly in terms of employment disruption.

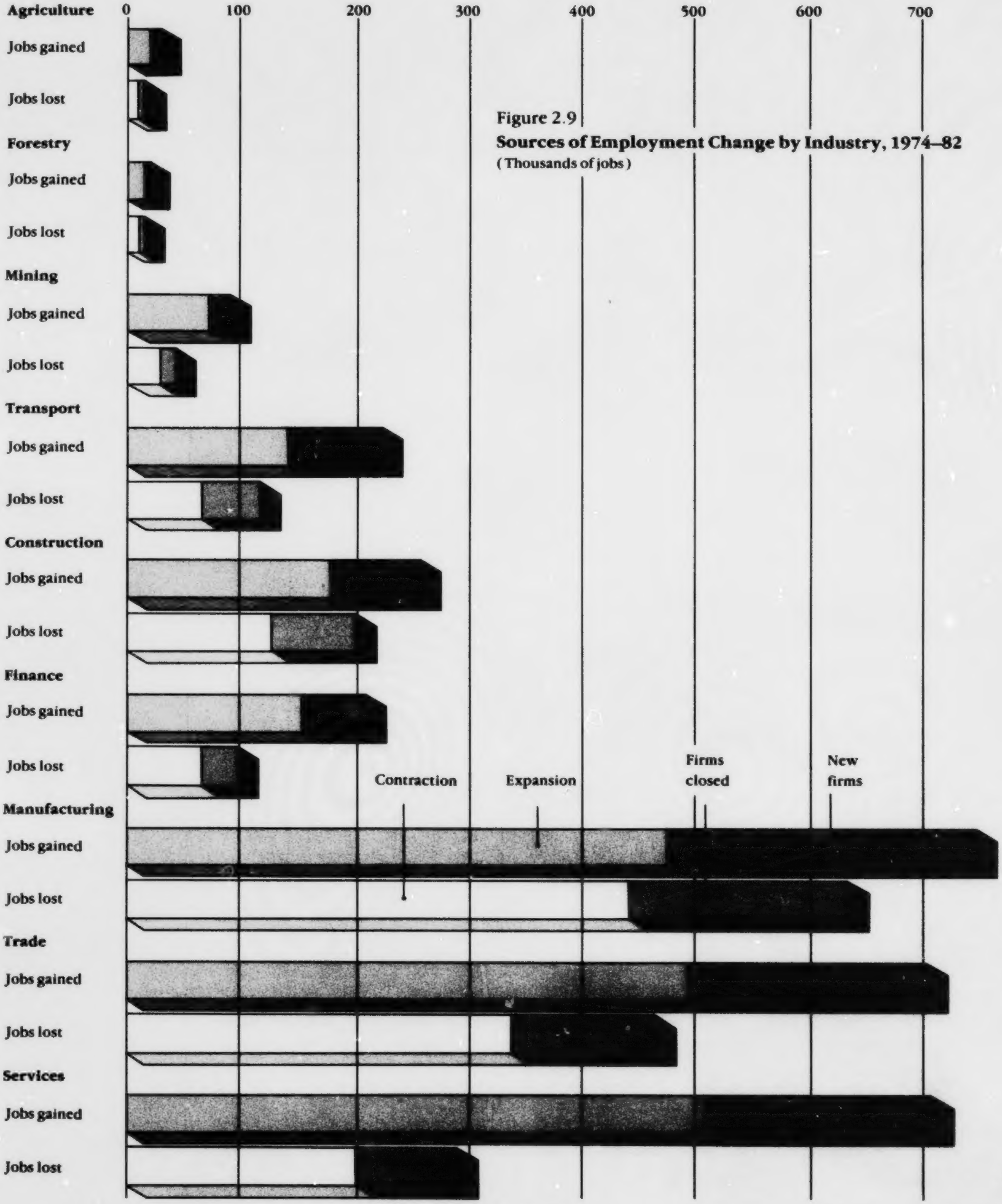


Figure 2.9
Sources of Employment Change by Industry, 1974–82
(Thousands of jobs)

Note: Fishing figures are too small to be shown.
Source: Canada, Department of Regional Industrial Expansion, Statistical and Data Base Services, *A Study of Job Creation in Canada, 1974–82* (Ottawa: The Department, 1985).

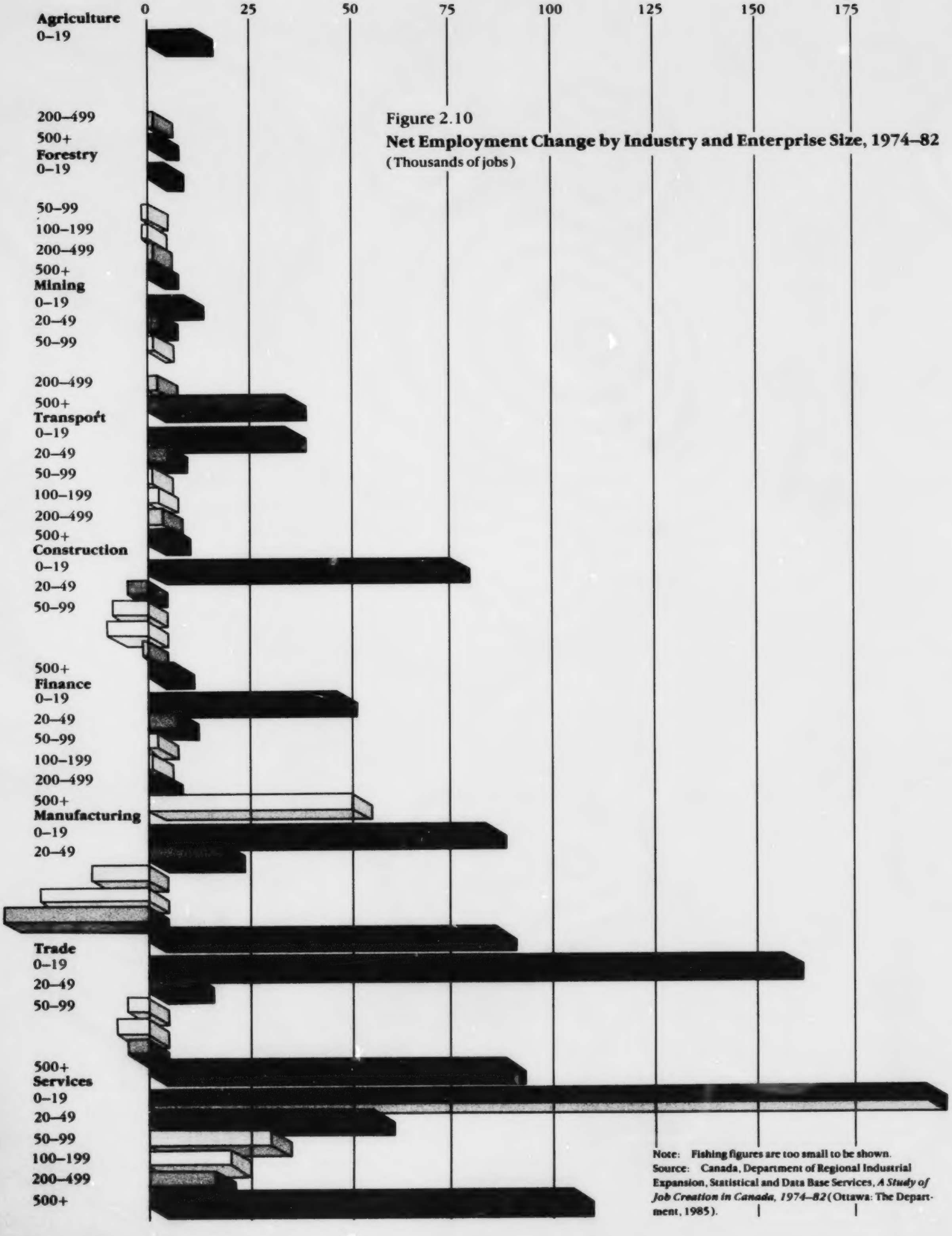


Figure 2.10

Net Employment Change by Industry and Enterprise Size, 1974–82

(Thousands of jobs)

Note: Fishing figures are too small to be shown.

Source: Canada, Department of Regional Industrial Expansion, Statistical and Data Base Services, ***A Study of Job Creation in Canada, 1974–82*** (Ottawa: The Department, 1985).

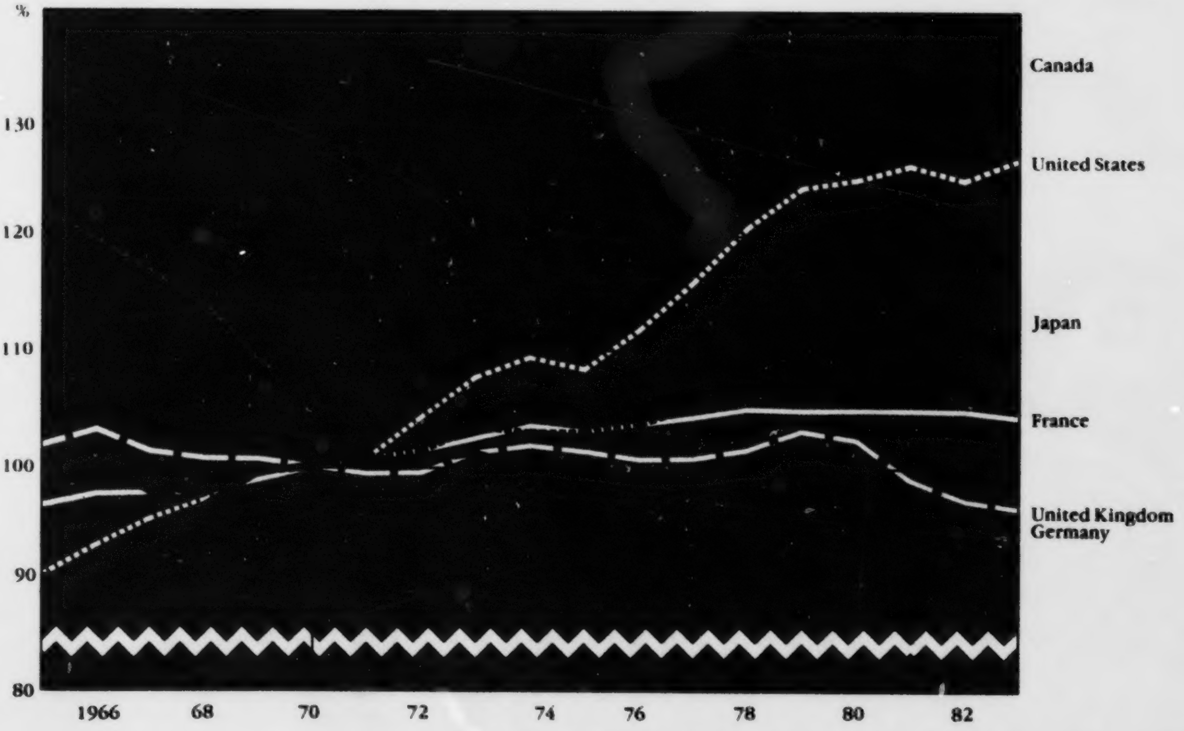
The National Frustration: The Risk of Unemployment

There is now a fairly comprehensive and consistent body of information about several dimensions of unemployment in Canada. It confirms that, although all working Canadians must live with the heightened possibility of becoming unemployed, some are more susceptible than others to long spells of joblessness. Although most people are not unemployed for long, the national unemployment rate is strongly affected by the few who remain unemployed for long periods. The longest 10 percent of unemployment spells in 1982 accounted for 40 percent of total unemployment.[6] In 1985, the average duration of unemployment was 21.6 weeks – a substantial increase from the 1980 average of 14.7 weeks.

A relatively small number of workers – the long-term unemployed – bear a substantial portion of the total burden of unemployment. Some of these individuals are "chronically" unemployed: they suffer repeated spells of joblessness and are unemployed for a large portion of their adult

"The kind of unemployment that we have today and will have in the next few years is really 'chronic unemployment'. What we are facing is technological unemployment."
(Fédération des syndicats du secteur aluminium inc., Québec hearings)

Figure 2.11
Employment Indices in Selected OECD Countries
(1970 = 100)



Note: The employment index for a year is employment in that year as a percent of employment in a base year (here 1970).

Source: Organisation for Economic Co-operation and Development, *Labour Force Statistics 1963–1983* (Paris: OECD, 1985).

lives. A 1982 study of Unemployment Insurance claimants from 1975 to 1979 shows that 25 percent of claimants represented 43 percent of claim weeks. These claimants typically had four to six claims within the five-year period.[7]

The industry and occupation in which a person works are important factors influencing the probability and duration of unemployment.[8] Industries may be classifed according to whether they are sensitive to seasonal or cyclical factors, and by what they produce – goods (cars, lumber, or a manufactured product) or services (financial, medical, legal or public services).

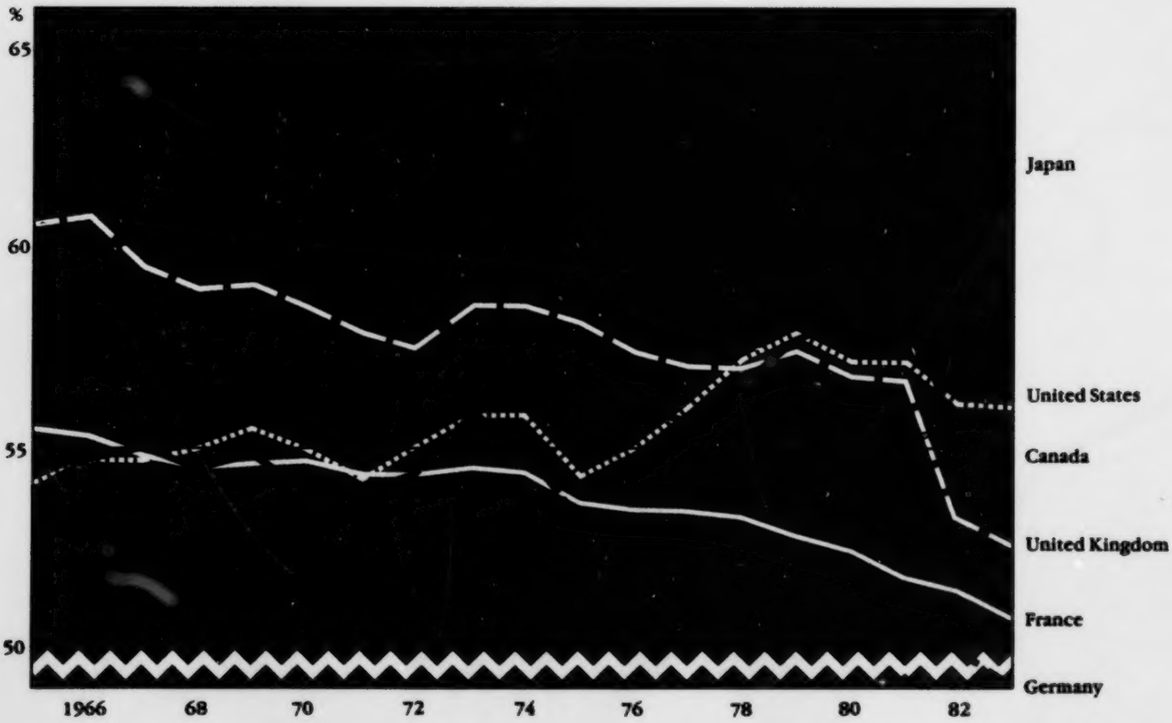
Seasonal Unemployment

Economic activity fluctuates over time for a number of reasons. Some fluctuation is unpredictable, such as that caused by natural disasters, while some is more predictable, such as that linked to the business cycle. As well, fluctuations in economic activity occur in regularly identifiable

"The costs and burdens of unemployment are not equally shared and some groups are affected far more than others. Managers, professionals and executives are generally spared the direct effects. The worst impacts fall on the economically weak and marginal – youth, women and workers in resource communities." (Newfoundland and Labrador Federation of Labour, written brief)

"For instance, this year in our area we started in June; we worked July; August we didn't work at all; we worked September, part of October and now we are finished for the year. We might have another week's work and that is about the size of it (Kent North Truckers Association, Moncton hearings)

Figure 2.12
Employment Ratios in Selected OECD Countries, 1965–83



Note: The employment ratio is the ratio of the employed population to the total population aged 15 years and over.

Source: Organisation for Economic Co-operation and Development, *Labour Force Statistics, 1963–83* (Paris: OECD, 1985).

annual patterns. These "seasonal" influences may be the result of climatic or institutional factors. Winter slowdowns in agricultural and construction activity, high pre-Christmas levels of retail activity, and the entry of large numbers of students into the labour force each summer are a few examples. Overall, about 16 percent of employment and 22 percent of unemployment in Canada is seasonal in nature (see Figure 2.13).

Seasonal patterns themselves change over time. During the 1970s, seasonality in employment declined somewhat, particularly in primary industries. This was mainly due to the decline in the relative importance of the agricultural sector. Seasonal variability in ***unemployment*** has declined even more. In 1966, the difference between unemployment in the highest and lowest months was 46 percent. By 1980, this difference had declined to less than 26 percent.[9]

"Outrageous levels of unemployment exist in this province; outrageous levels of unemployment at all levels, young and old; levels of unemployment hovering consistently around the 20 percent range, generally twice that of the national average." (Tom Lush, MHA, Bonavista North, St. John's hearings)

Figure 2.13

Employment and Unemployment in Seasonal Industries,[a] 1985

Industry	Employment			Unemployment		
	Average	Percent of total	Percent of seasonal employment	Average	Percent of total	Percent of seasonal unemployment
Agriculture	488,000	4.3%	27.2%	38,000	2.9%	12.8%
Forestry	68,000	0.6%	3.8%	25,000	1.9%	8.4%
Fishing & trapping	34,000	0.3%	1.9%	7,000	.5%	2.3%
Other primary	19,000	0.2%	1.1%	N/A	N/A	N/A
Food & beverage	247,000	2.2%	13.8%	39,000	2.9%	13.1%
Tobacco products	8,000	0.1%	0.4%	N/A	N/A	N/A
Rubber & plastics	79,000	0.7%	4.4%	9,000	.7%	3.0%
Leather products	25,000	0.2%	1.4%	3,000	.2%	1.0%
Wood	110,000	1.0%	6.1%	17,000	1.3%	5.7%
Furniture & fixtures	65,000	0.6%	3.6%	8,000	.6%	2.7%
Non-metallic mineral products	54,000	0.5%	3.0%	5,000	.4%	1.7%
General contractors	221,000	2.0%	12.3%	70,000	.5%	23.5%
Special trade	360,000	3.2%	20.1%	76,000	5.7%	25.5%
Storage	15,000	0.1%	0.8%	1,000	.1%	0.3%
Seasonal industries	1,793,000	15.9%	100.0%	298,000	22.4%	100.0%
Non-seasonal industries	9,518,000	84.1%		1,030,000	77.6%	
All industries	11,311,000	100.0%		1,328,000	100.0%	

N/A = not available.

a Seasonal industries for our purposes are defined as those in which the difference in employment between peak and low months exceeds 30 percent.

Note: Totals may not add due to rounding.

Source: Special tabulation, Statistics Canada.

Cyclical Unemployment

A large proportion of unemployment in Canada still occurs in cyclical industries. Cyclical industries are those that produce durable goods the purchase of which can be deferred when money is tight. Industrial machinery, cars and household appliances are all examples of goods for which demand is sensitive to the ups and downs of the business cycle.

Many of the industries that are particularly sensitive to the business cycle are those that are now being radically restructured because of changes in the global economy. Heightened competition from other countries which are producing the same goods as Canada has accelerated the trend of big businesses to "downsize" – to streamline their operations, laying off large numbers of workers in the process. Some of these industries have been in a state of decline for some time. Demand for their products is falling and workers who are laid off may never be recalled. Other industries are taking advantage of the technological revolution and installing labour-saving machinery which can be operated with fewer workers (in particular, primary metals, metal fabricating machinery and transportation equipment industries). Within the cyclical sector, most spells of unemployment (58 percent) still end in recall and are shorter than unemployment spells in other sectors.[10]

"Canadian production of textiles declined by 18.5 percent in 1982. By contrast, textile production in all developed countries declined by 5.5 percent and in all developing countries by only 1.5 percent." (Canadian Textiles Institute, written brief)

The stability of the service sector in the face of recessions is significant. It is the popular perception that service sector jobs are mainly in the poorly paid and less secure fast-food or retail sector, but the service component includes jobs in government services, medical care and health services, financial and legal services. Whereas spending on such items as cars and dishwashers can be deferred when money is tight, life insurance and dentists' bills are not as easy to postpone. Since these expenditures tend to be non-discretionary, they are less affected by cyclical economic fluctuations.

Structural Unemployment

The importance of seasonal and cyclical factors in the level of overall unemployment is declining relative to the impact of structural causes. Structural unemployment arises from fundamental changes in the requirements of firms and the skills, experience and/or location of unemployed workers. Among the causes of these mismatches are:

- developments in the energy field – fluctuations in oil prices as well as changes in the relative cost of energy and changing patterns of its use;
- the emergence of low-cost producers of some manufactured goods in the newly industrialized countries; and
- technological changes, including computer-aided manufacturing and robotics.

"There are an increasing number of structural changes in our economy that displace workers and cause periods of unemployment. An Unemployment Insurance scheme must keep abreast of these structural developments and be altered to react to them if the program is to have value." (Community Service Employment Co-operative of Regina, written brief)

"What we would want to see is an effective Unemployment Insurance program to deal with short-term unemployment. We think it is ineffective in terms of dealing with structural unemployment." (Canadian Pulp and Paper Association, Ottawa hearings)

There are a number of indicators which show that the relative importance of structural unemployment in the total unemployment picture has changed considerably over the last two decades. In the 1960s, most unemployment was held to be either frictional – that is, unemployment arising from the normal movement of people between jobs – or cyclical in nature. Both the C.D. Howe Institute[11] and the Economic Council of Canada[12] offer strong evidence on the changing structure of employment. Over the period 1974–82, net job creation in different industries and regions of the country varied greatly. Particularly striking is the difference in growth rates between service and manufacturing industries. By and large, the new jobs which are being created are not the same as the jobs lost through technological change or those lost during the recent recession. Canada has experienced substantial shortages in specific skills in the midst of high unemployment levels.

The Occupational Distribution of Unemployment

The construction trades are greatly overrepresented among claimants of Unemployment Insurance in relation to their shares of total employment, while white-collar employees – managerial, professional and clerical – are underrepresented even in industries which otherwise generate more than their proportionate share of unemployment weeks (see Figure 2.14)

"With an aging population and increasing numbers of people who seem to be requiring more and more services, maybe we're just looking in some of the wrong areas with respect to job creation. We expect it to be in the manufacturing industry, when in fact the human service industry is a very integral element and maybe we could use many, many more people in human services than are presently employed." (City of Halifax, Social Planning Department, Halifax hearings)

Figure 2.14

Number of Unemployment Insurance Claimants by Occupation and Employment by Occupation, 1984

	Number of claims terminating in 1984	Paid employment in 1984	Ratio of claims to employment
Fishing, hunting and trapping[a]	26,200	13,000	2.02
Construction	364,700	488,000	0.75
Forestry and logging	39,900	58,000	0.69
Material handling	114,600	260,000	0.44
Machining	88,200	216,000	0.41
Processing	117,100	364,000	0.32
Transportation	112,000	354,000	0.32
Mining	19,900	64,000	0.31
Agriculture	45,600	171,000	0.27
Product fabrication	228,000	897,000	0.26
Clerical	390,300	1,841,000	0.21
Social sciences	31,000	162,000	0.19
Service	245,400	1,298,000	0.19
Natural sciences	60,200	370,000	0.16
Sales	128,500	865,000	0.15
Crafts	19,000	140,000	0.14
Teaching	62,100	462,000	0.13
Artistic and recreational	18,000	138,000	0.13
Medicine and health	61,500	501,000	0.12
Mangerial, administrative	65,200	1,152,000	0.06
Religion	600	33,000	0.02
Others	106,800	N/A	N/A
All occupations	2,345,600	9,847,000	0.24

N/A – not available.

a Unemployment Insurance covers self-employed fishermen as well as paid workers.

Note: The ratio of claims to employment indicates relative utilization of Unemployment Insurance. It does not measure the probability of claiming because claim data refers to all claims terminating in 1984, and the employment data is the average of monthly figures.

Source: Special tabulations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data and *The Labour Force, December 1984* (Cat. no. 71-001), 1985.

Although the white-collar trade and service sectors generate unemployment with less frequency than other sectors, unemployment in these sectors is more often the result of job loss and a complete break with the employer than of a temporary layoff. The implication is that more unemployed white-collar workers must search for new jobs and experience a correspondingly longer duration of unemployment. Since the trend is to service sector employment, the problems presented by longer duration, non-recall unemployment are likely to intensify.

In summary, different ways of classifying economic activity may produce different emphases, but the broad picture remains the same. Workers in certain industries and sectors (for example, construction, fisheries and forestry) are more susceptible to unemployment than others. While these represent a minority of the Canadian work force, their importance in the overall structure of unemployment stems in large part from the regional concentration of these industries.

"Long-term unemployment among workers in primary and construction occupations was four to ten times higher than that of high-level managerial and administrative workers. One notes that the average duration of unemployment increases with age, as older workers experience significantly more difficulty finding new employment than younger workers. Youth, older workers and female workers appear to be especially susceptible to these problems." (Social Planning Council of Ottawa–Carleton, Ottawa hearings)

The Regional Distribution of Unemployment

It is almost a commonplace that unemployment in Canada is a regional phenomenon. Since 1975, all provinces east of the Ottawa River have had unemployment rates above the national average, and the same higher rates have recently existed in British Columbia (see Figure 2.15). In many cases the higher unemployment rates of certain provinces still underestimate the economic difficulties found there. Provinces with higher unemployment rates tend to have lower participation rates, because more discouraged workers are withdrawing from the labour force and because fewer new people are entering it. Had participation rates in the Atlantic provinces, Quebec and British Columbia been at the

Figure 2.15

Unemployment Rates by Province, 1975–85

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Newfoundland	14.0%	13.3%	15.5%	16.2%	15.1%	13.3%	13.9%	16.8%	18.8%	20.5%	21.3%
Prince Edward Island	8.0%	9.6%	9.8%	9.8%	11.2%	10.6%	11.2%	12.9%	12.2%	12.8%	13.2%
Nova Scotia	7.7%	9.5%	10.6%	10.5%	10.1%	9.7%	10.2%	13.2%	13.2%	13.1%	13.8%
New Brunswick	9.8%	11.0%	13.2%	12.5%	11.1%	11.0%	11.5%	14.0%	14.8%	14.9%	15.2%
Quebec	8.1%	8.7%	10.5%	10.9%	9.6%	9.8%	10.3%	13.8%	13.9%	12.8%	11.8%
Ontario	6.3%	6.2%	7.0%	7.2%	6.5%	6.8%	6.6%	9.8%	10.4%	9.1%	8.0%
Manitoba	4.5%	4.7%	5.9%	6.5%	5.3%	5.5%	5.9%	8.5%	9.4%	8.3%	8.1%
Saskatchewan	2.9%	3.9%	4.5%	4.9%	4.2%	4.4%	4.7%	6.2%	7.4%	8.0%	8.1%
Alberta	4.1%	4.0%	4.5%	4.7%	3.9%	3.7%	3.8%	7.7%	10.8%	11.2%	10.1%
British Columbia	8.5%	8.6%	8.5%	8.3%	7.6%	6.8%	6.7%	12.1%	13.8%	14.7%	14.2%
Canada	6.9%	7.1%	8.1%	8.3%	7.4%	7.5%	7.5%	11.0%	11.9%	11.3%	10.5%

Source: Statistics Canada, *The Labour Force, December 1985* (Cat. no. 71-001), 1986; *Labour Force Annual Averages 1975–1983* (Cat. no. 71-529), 1984.

level of, say, Ontario, the number of people looking for the available jobs would have been much higher and provincial unemployment rates would have been higher as well (see box).

Provincial economic disparities result not only from different levels of unemployment but also from a number of other factors. These include the relative importance of seasonal activities and of the mix of industries (i.e., whether or not the industries present have other spinoff effects); different levels of productivity (i.e., whether those industries result in high or low earnings for both workers and entrepreneurs); and ultimately different levels of income (i.e., whether there are enough people with enough purchasing power to warrant supplying their needs with locally produced goods and services). Therefore differences in levels of economic development are much more complex than would appear from looking at unemployment rates.

Unemployment rates give a general idea of the relative difficulty of finding a job in the area. For this reason they are used under the current Unemployment Insurance program to trigger regionally extended benefits. If unemployment rates simply reflected the duration of unemployment, one could argue that their use as a trigger for extended benefits may be justified. Interregionally, however, there is much less variation in the duration than in the incidence of unemployment (see Figure 2.16). Thus, while both factors play a role, the higher rate of

"In single-industry towns or in some regions of the country, unemployment is not a temporary phenomenon, but a structural or chronic problem. The need to retrain and possibly encourage members of the labour force to move is apparent." (Retail Council of Canada, written brief)

Regional Unemployment

The higher unemployment rates in certain provinces actually underestimate the economic difficulties faced in those areas. The table shows, for each province, what the unemployment rate would have been if the number employed had stayed the same but the participation rate had changed to the Ontario rate of 68.0 percent. In all cases, unemployment rates would be higher than actually recorded, except in Alberta, where participation rates are higher than in Ontario.

Provincial Unemployment Rates Assuming Ontario's Participation Rate, 1985

Province	Provincial participation rate	Unemployment rate	Unemployment rate at Ontario's participation rate
Newfoundland	53.0%	21.3%	38.7%
Prince Edward Island	61.9%	13.2%	21.0%
Nova Scotia	58.8%	13.8%	25.5%
New Brunswick	56.8%	15.2%	29.2%
Quebec	62.2%	11.8%	19.3%
Ontario	68.0%	8.0%	8.0%
Manitoba	65.8%	8.1%	11.1%
Saskatchewan	66.4%	8.1%	10.3%
Alberta	71.9%	10.1%	4.9%
British Columbia	64.3%	14.2%	18.9%
Canada	65.2%	10.5%	14.2%

Source: Statistics Canada, *The Labour Force, December 1985* (Cat. no. 71-001), 1986.

unemployment in Newfoundland compared with Ontario, for example, is *more strongly* influenced by a greater proportion of Newfoundland's work force experiencing unemployment over the year than by the longer duration of their unemployed spells. The significance of regionally extended benefits in the Unemployment Insurance program is discussed further in Chapter 4.

> "Women expect to bear the brunt of the job displacement which is resulting from massive technological changes, particularly in the clerical, communication, retail, transportation, insurance and banking sectors. And that is only the newest, if most dramatic, development. Women have already confronted growing unemployment in the public sector and industries such as clothing/textile/footwear and light manufacturing."
> (National Action Committee on the Status of Women, written brief)

Characteristics of the Individual and the Risks of Unemployment

Just as industry and occupation are important in determining the risk of unemployment, so are the characteristics of the individual, such as age, sex and educational level. These personal characteristics are correlated with industry and occupation. For example, seasonal and cyclical industries have higher unemployment rates. Men make up 85 percent of workers in the cyclical sector and 83 percent in the seasonal sector but only 53 percent in the other sectors.[13] As the result of structural changes, unemployment spells are likely to be longer. Many jobs likely to be eliminated because of structural unemployment are now filled by older workers. Historically, male unemployment rates are generally somewhat

Figure 2.16

Unemployment Incidence and Duration, 1985

	Incidence of unemployment[a]	Average number of weeks unemployed in the year[b]
Newfoundland	39.9%	20.8
Prince Edward Island	31.8%	19.8
Nova Scotia	28.9%	20.2
New Brunswick	34.7%	20.2
Quebec	28.3%	20.1
Ontario	21.3%	14.5
Manitoba	21.5%	15.3
Saskatchewan	20.1%	15.9
Alberta	25.2%	15.9
British Columbia	29.7%	20.3
Canada	25.4%	17.7

[a] Number of persons unemployed at some time in the year divided by the number of persons in the labour force for part or all of the year.

[b] Number of weeks unemployed in 1985 for those unemployed at some time in the year.

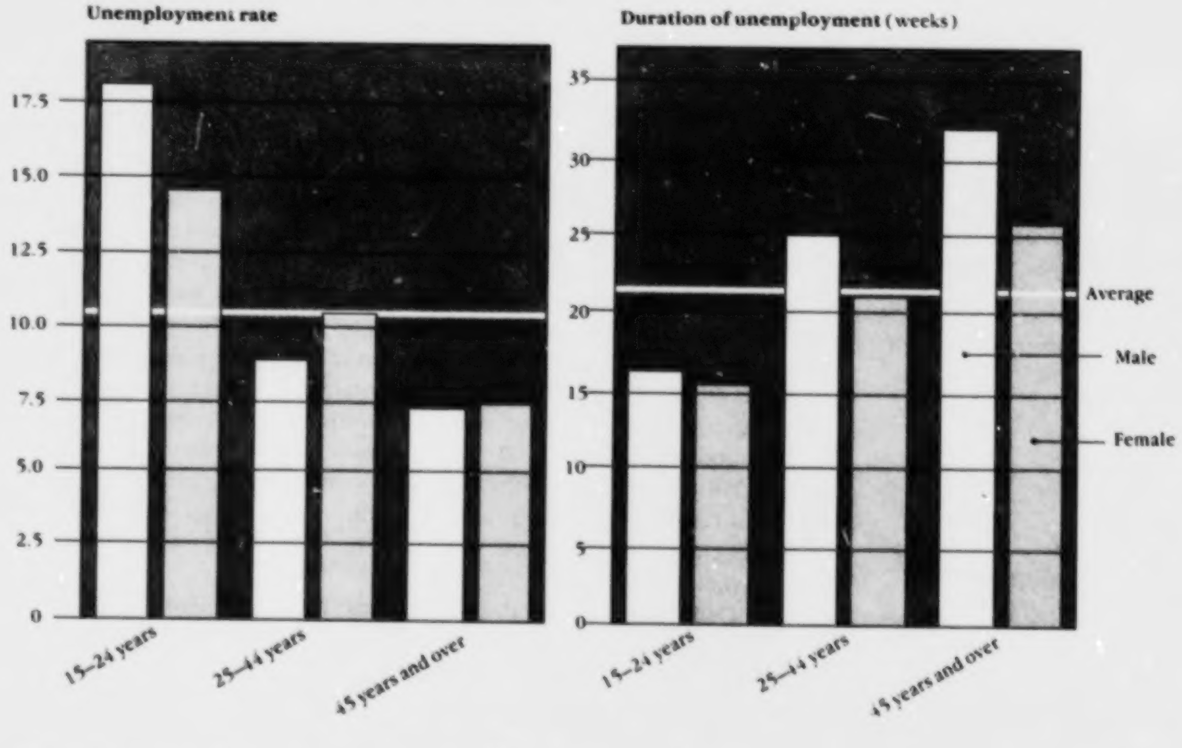
Note: This pattern is similar to that observed using other measures of duration, such as the average duration of incomplete spells of unemployment (used by Statistics Canada in its Labour Force Survey) or average duration of completed Unemployment Insurance claims.

Source: Statistics Canada, "Annual Work Patterns Survey," *The Labour Force, March 1986* (Cat. no. 71-001), 1986.

lower than female unemployment rates, but there is greater variation by age among men than among women. The unemployment rate for men over age 45 is a little over a third that of the 15-to-24-year-old group, while the rate for women over age 45 is about half the rate of younger women (see Figure 2.17).

Figure 2.17

Unemployment Rate and Duration of Unemployment, 1985



Unemployment Rate and Duration of Unemployment, 1985

(Annual averages)

		Unemployment rate	Average duration (weeks)
Both sexes		10.5%	21.6
Males	15–24 years	18.2%	16.3
	25–44 years	8.9%	24.9
	45 years & over	7.1%	32.1
Females	15–24 years	14.6%	15.1
	25–44 years	10.3%	21.0
	45 years & over	7.5%	25.7

Note Figures for duration exclude persons with a job to start within four weeks of the reference week who had not actively looked for work in the past four weeks.

Source Statistics Canada, *The Labour Force, December 1985* (Cat. no. 71-001), 1986.

"Reports from field staff also show that an increasing number of young people are in the 'high risk' category – undereducated (severe difficulties in literacy and numeracy), delinquent, etc." (OPCAN, written brief)

Education and Unemployment

Research into the correlation between the level of education and vulnerability to unemployment provides a clear message: the higher the level of education, the less unemployment is likely. While a university degree will not guarantee immunity (no one is immune), a low level of educational attainment considerably increases the probability of unemployment.

A low level of education seems to have particularly severe consequences for young people aged 15 to 24 years, who cannot offset this deficiency by long work experience. In this group, those with no more than eight years of schooling have unemployment rates of more than 27 percent, while the rates for those with some post-secondary education are less than 12 percent. This factor is of such significance that it is the focus of attention in Chapter 5.

"Unemployment is here to stay, but work sharing is just around the corner. By the end of this century, only one-third of our adult population will need to be employed at any one time. Technology will be so far advanced that this one-third will easily be able to support the other two-thirds." (Dunfield Park Tenant Association, written brief)

Future Trends

Predicting future trends is difficult. Some trends and changes in industrial sectors suggest that employment in the service sector will grow, while employment in the goods-producing and primary sectors will decline. The impact of anticipated changes in the work force as the population grows older can be projected, as well as possible changes in participation rates as more women decide to seek employment. Various social and economic policies, however, can also affect the number in the labour force. Policies which encourage educational leave or keep more young people in educational institutions for longer periods, policies which support early or partial retirement, work-sharing schemes and longer vacations may all have an impact on behaviour, on employment and unemployment in the future. Monetary, fiscal and trade policies may also have a profound impact. Technological change and innovations in the global marketplace will continue to affect the national labour market.

"The Economic Council of Canada recently predicted that because of strengthening growth by 1995 the unemployment rate would be down to 7.6 percent. Well, whoopee! It is going to take 10 years to drop a little below 8 percent – and a few years ago 8 percent was considered to be tragically high!" (Community Unemployed Help Centre, Winnipeg hearings)

Statistics Canada and others have developed simulation models of the economy. By varying the assumptions about such factors as fertility rates, life expectancy, participation and retirement patterns, these models can be used to explore the long-term implications of a variety of theoretical situations. Some combinations of factors suggest that the unemployment rate will fall below pre-1982 levels only at the end of the century. Other combinations of variables result in projected unemployment figures varying from 10.5 to 7 percent within the next five years and from 7 to under 5 percent by the year 2000. These models were used in this Inquiry to explore the impact of changes in demography, participation rates, and a variety of different economic and social policies. (A more detailed description of these simulations and the results is provided in Appendix E.)

The Unemployment Insurance Program

To this point, this chapter has concentrated on the characteristics of the unemployed. In this section, the emphasis switches to the Unemployment Insurance program itself and how claimants use it. A detailed description of the program is contained in Appendix F and a statistical summary is in Appendix G.

In 1985 the average monthly number of beneficiaries was 1.1 million, down slightly from 1984 and from the peak in 1983. This figure was about 86 percent of the total unemployed population of about 1.3 million per month in 1985. Total payments to Unemployment Insurance claimants were $10.2 billion in 1985, of which the government cost was $3.0 billion. Employer and employee premium revenue was $8.8 billion and the Unemployment Insurance Account had a small surplus of $174 million. As a result the cumulative deficit was reduced to $4.4 billion.[14]

"For the most part, Unemployment Insurance, with all its faults, has been doing the jobs that it was basically intended to do. Unemployment Insurance is providing a very necessary economic safety net for people who are normally employed and require this stopgap to carry them over until they can find other work." (Office and Technical Employees' Union, Vancouver hearings)

Using 1984 data (the most recent year for which complete data are available) it is possible to describe how the program was used. The average claimant received weekly benefits of $161.62 per week and the average duration of their time on claim was 25.3 weeks. The average duration ranged from 29.6 weeks in Newfoundland to 22.0 weeks in Saskatchewan. The average total payments in that year were about $4,089 per claimant. The proportion of claimants exhausting benefits was highest for those individuals with very few (10 to 14) or many (52+) weeks of insurable employment.[15] Overall, about 28 percent of claimants exhausted their benefit entitlement.

"In many of these communities, Unemployment Insurance and social welfare are interchangeable and you go from one to the other. That is just the way it works. They are a package. In fact, you know very well that provincial governments organize programs to get people off social welfare – 10-week work programs and that – so they can get them onto the federal payroll as opposed to the provincial payroll." (Canadian Pulp and Paper Association, Ottawa hearings)

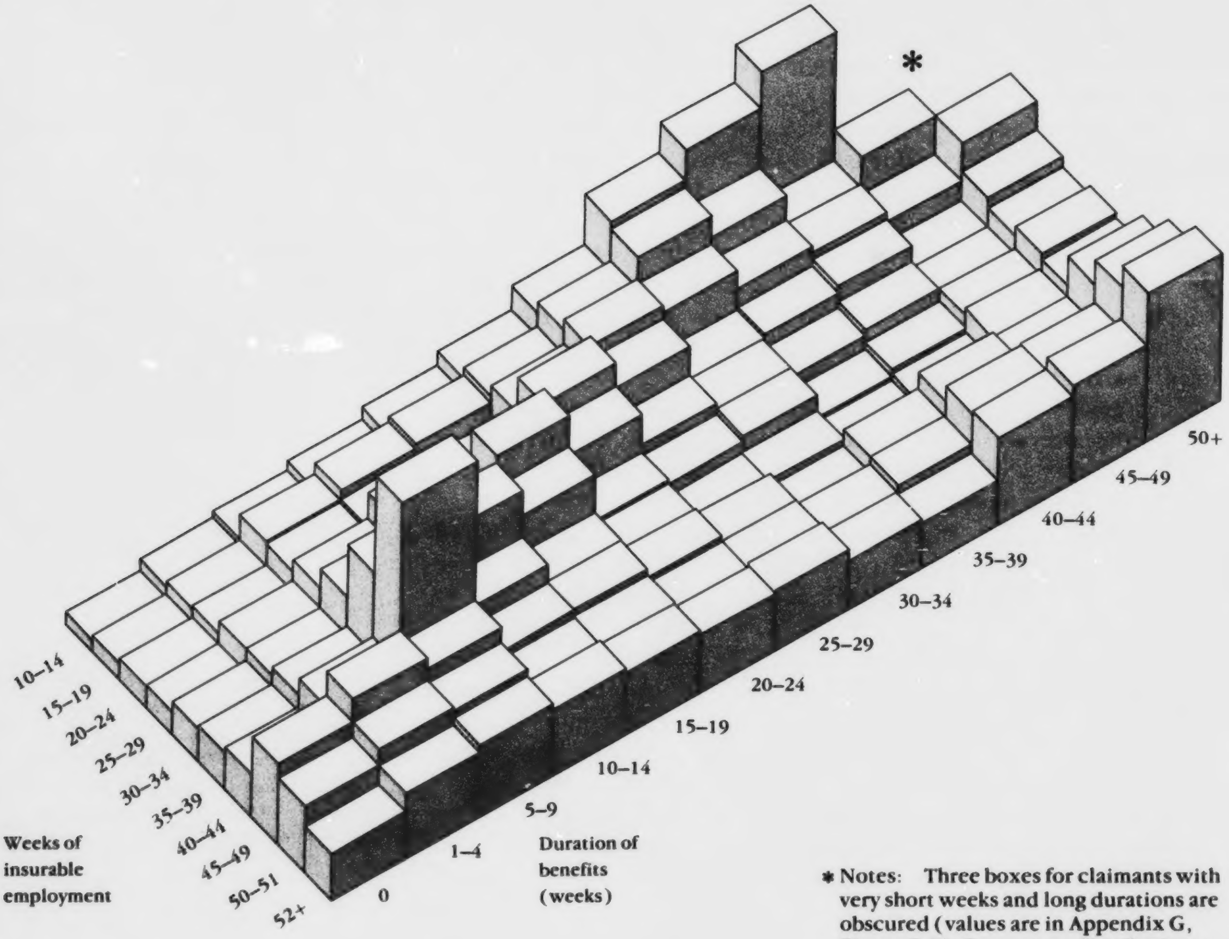
Repeaters (that is, individuals with an Unemployment Insurance claim in the previous year), accounted for about 48 percent of claimants.[16] Eighty-seven percent of claimants with only 10 to 14 weeks of insured employment, however, were repeaters.

The utilization of Unemployment Insurance benefits differed between claimants with short-term and long-term labour force attachment. Average durations were longest for claimants with 10 to 14 weeks of insurable employment, shortest for claimants with 40 to 44 weeks and increased again for those with 52 or more weeks of insurable employment. The pattern of benefit utilization for claimants with long and short labour force attachments is presented in Figure 2.18. It illustrates that generally the average duration of benefits decreases with increasing labour force attachment. The peaks on the histogram suggest three distinct patterns of usage; short-attachment workers collecting for 35 or more weeks; claimants with 40 to 44 weeks of employment collecting for 5 to 9 weeks; and, claimants with long-term employment exhausting their benefits.

"Seasonal workers may put in long hours over a short period of the year, earn a good income, then draw benefits during their idle period. This practice goes directly against the original intention of the Act, which was to provide assistance to bind over those in between jobs." (Stewart Sutter, written brief)

These three patterns are notable since they differentiate each group from other unemployed workers with similar employment histories. The

Figure 2.18
Distribution of Regular Claimants by Duration of Benefits and by Weeks of Insurable Employment, 1984



* Notes: Three boxes for claimants with very short weeks and long durations are obscured (values are in Appendix G, Figure G.2). Percentage distributions are calculated by duration of benefits. The values for each category based on weeks of insurable employment add to 100 percent. Data are based on "pure" regular claims terminating in 1984.
Source: Calculations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data.

10-to-14-week workers, for example, are quite different from 15-to-19-week workers in how they use Unemployment Insurance, and the 40-to-44-week workers are different from those who work a full 52 weeks. If the program itself was not affecting behaviour, workers with similar work histories would be expected to behave in very much the same way.

The observation that workers with 10 to 14 weeks of work tend to receive benefits for close to the maximum possible duration may simply demonstrate the difficulty of finding a job for workers with short labour force attachments. This, however, would not account for the difference between this group of workers and their 15-to-19-week colleagues. Thus, it gives credence to the concern that some of these workers are playing the system or to the view that job creation programs and other make-work projects may be designed to qualify workers for Unemployment Insurance benefits. While this represents a small percentage of claimants in the country as a whole, it is a significant group in Atlantic Canada, as well as a significant pattern of behaviour.[17] To the extent that this behaviour is indeed the result of the current program design, this issue is dealt with in Chapter 7. Chapter 3 discusses the consequence of systematic attempts to obtain the maximum income redistribution from job creation programs.

"The point we were trying to make, Mr. Chairman, is that many people deliberately choose to have seasonal employment and don't wish to work the rest of the year." (Canadian Electrical Distributors Association, Toronto hearings)

"Economic situations are different in the many regions of Canada and therefore the Unemployment Insurance program should be assessing these differences and responding to them in a positive manner. The program should encourage seasonal workers to find other work in their area or at least have requirements that these seasonal workers are trained in another line of work which could be used in their off-seasons." (Alberta Chamber of Commerce, Calgary hearings)

Those with about 40 weeks of work who collect up to 10 weeks of benefits is also a small group but represents a significant pattern. Again, two possible explanations present themselves. First, that it takes about 10 weeks or so to find another job and, second, that employers lay off workers for short periods each year to accommodate plant maintenance, inventory and the like, and then recall them. The recommendations in Chapter 7 for changes to the Unemployment Insurance program deal with the elements of the current program which encourage this behaviour. Finally, although the pattern observed for full-year workers may suggest that they too are taking full advantage of available benefits, it seems more likely that these workers had long-term attachment to a previous employer, and in many cases are unemployed as the result of structural changes, and therefore may have particular difficulties in finding new employment. Program changes and the recommendation for the establishment of a Cumulative Employment Account to provide improved benefits to these workers are also proposed in Chapter 7.

"Seasonal workers, like fishermen and tourist workers, are paid not to work at all, all winter, in effect, under this program." (Halifax Board of Trade, Halifax hearings)

Seasonal workers are currently eligible for benefits on the same basis as other workers. This has led some to recommend that the program should return to its pre-1971 basis when seasonal workers were eligible but received differential treatment. The major argument used by proponents of this view is that seasonal unemployment is anticipated and that Unemployment Insurance acts more as a program of income

"Employees realize that a small number of weeks of work will make them eligible for income support. That will allow them to survive until their usual work begins again. Without the cushion of a reasonable income support program, seasonal industries would have difficulty recruiting and maintaining a qualified labour force in this province." (Government of Prince Edward Island, Charlottetown hearings)

redistribution than income replacement. Industries with strong seasonal components (such as fishing, construction and agriculture) in general make heavier demands on Unemployment Insurance than non-seasonal industries.[18] A similar conclusion can be derived from examining Figure 2.14, which indicates that workers in seasonal occupations tend to be major users of the program.

An analysis of benefits and contributions by age group indicates that individuals aged 20 to 24 appear to be significant net beneficiaries while those aged 35 to 54 are net contributors.[19] While the overall ratio of benefits to contributions is essentially the same for men and women, there are differences in different age ranges. Young women tend to be less likely to use Unemployment Insurance than young men but this reverses after about age 25. The benefit to contribution ratio for men aged 20 to 24 years is 1.88; that is, they receive an average of $1.88 in benefits for each $1 of contributions, whereas women in the same age group have a ratio of only 1.29. In the 45 to 54 age group the ratios are 0.68 for men and 0.75 for women.

While Unemployment Insurance is not primarily an income redistribution program, it is regarded as such by many who equate unemployment with low income. Although this may be true at a point in time and on an individual basis, it is not so when annual income is considered on a family basis. This latter is the accepted approach to determining the effectiveness of income redistribution programs. On this basis Unemployment Insurance provides about 11 percent of benefits to families with incomes under $10,000 but almost 20 percent goes to those with incomes in excess of $40,000.[20] Although it transfers money from the employed to the unemployed and, to some degree, from the rich to the poor, Unemployment Insurance is not a very effective income redistribution program.

Turning to the distributional impact of the program by province, 1984 data indicate net benefits for Atlantic Canada, Quebec and British Columbia. Ontario was the largest net contributor in absolute terms, with $1.3 billion. In relative terms, only 67 percent of contributions by Ontario workers returned to the province as benefits.[21] At the other extreme, Newfoundland received about $3.38 for every dollar of contributions.

Summary and Conclusions

Unemployment is everyone's problem. Annually it affects one in four Canadians. It is not an isolated problem, specific to a few individuals at the bottom end of the income scale, but a pervasive reality which may touch any worker. But Canada also enjoys employment growth and rising participation rates. The Canadian economy is not undergoing a fundamental breakdown. On the contrary, we have a strong record in employment growth over the last two decades and have outperformed most other Western nations. In spite of these solid achievements and the high expectations based on them, Canadians are understandably concerned about the persistence of high levels of unemployment and the concentration of unemployment among those in certain industries and occupations. These problems and those facing people with low levels of education, particularly the young, have implications for employment policies.

A review of who uses the Unemployment Insurance program reveals three distinct patterns of usage which differ from the overall one. These patterns include: workers who are employed for 10 to 14 weeks and collect benefits for about 40 weeks; those who work about 40 weeks and collect for about 10 weeks; and full-year workers who show a tendency to exhaust their benefits. Another observation is that the increasingly structural nature of unemployment has meant that the duration of time receiving benefits has increased substantially in recent years.

It is apparent, therefore, that serious employment disruption is and will continue to be a major characteristic of our economy. This has three significant implications:

- An Unemployment Insurance program is and will continue to be essential to the economic security of Canadian workers.
- Measures to assist workers, companies and communities to adjust to the impact of long-term structural change are essential.
- Unemployment Insurance alone may have limited impact in resolving the problems of unemployment. Spending on Unemployment Insurance must be placed within a context of investment in economic growth and a human resource development strategy.

Notes

1 Canada Employment and Immigration Advisory Council, *Older Workers: An Imminent Crisis in the Labour Market* (Ottawa: Minister of Supply and Services Canada, 1985), p. 8.

2 M. Ethier, "Survey of Pension Issues," in *Income Distribution and Economic Security in Canada*, Volume 1 of the Research Studies of the Royal Commission on the Economic Union and Development Prospects for Canada (Toronto: University of Toronto Press, 1985).

3 The youth rate includes individuals aged 14–24 in 1963 and individuals aged 15–25 in 1983.

4 These calculations are based on Statistics Canada, *Labour Force Annual Averages 1975–1983* (Cat. no. 71-529), 1984 and *The Labour Force* (Cat. no. 71-001), various years.

5 Japan and some of the Scandinavian countries are the exceptions. While employment ratios for Canada and the United States were approximately 56 percent in 1983, the corresponding figures for these countries were: Japan, 62.1 percent; Denmark, 58.5 percent; Finland, 61.9 percent; Norway, 59.9 percent; and Sweden, 62.3 percent. Source: Organisation for Economic Co-operation and Development, *Labour Force Statistics, 1963–1983* (Paris: OECD, 1985).

6 C.M. Beach and S.J. Kaliski, "Measuring the Duration of Unemployment from Gross Flows Data," *Canadian Journal of Economics* 16 (May 1983): 258–63.

7 Cited in L. Osberg, "The Incidence and Duration of Unemployment in Canada," research study prepared for the Commission of Inquiry on Unemployment Insurance, 1986 (unpublished).

8 G. Glenday and G. Jenkins, *The Employment Experience of the Unemployed*, Technical Study No. 13, Task Force on Labour Market Development (Ottawa: Canada Employment and Immigration Commission, 1981), p. 3.

9 Statistics Canada, *Seasonal Variations in the Canadian Economy: Employment and Unemployment* (Cat. no. 16-501), 1982, p. 36.

10 Osberg, "Incidence and Duration of Unemployment," p. 34.

11 Edward A. Carmichael, *Reorienting the Canadian Economy: Policy Review and Outlook 1986* (Toronto: C.D. Howe Institute, 1985), p. 16.

12 Economic Council of Canada, *In Short Supply: Jobs and Skills in the 1980s* (Ottawa: Minister of Supply and Services Canada, 1982).

13 Seasonal industries in this context are defined as construction, forestry, fishing, mining, agriculture and tourism. This industrial breakdown varies slightly from the one used to define seasonal industries in Figure 2.13. Based on G. Glenday and J. Alam, "The Effects of Unemployment Insurance Benefits on the Structure of Employment in Seasonally and Cyclically Sensitive Sectors," study prepared for the Task Force on Labour Market Development (Ottawa: Canada Employment and Immigration Commission, 1982), p. 44.

14 See Chapter 10 for a detailed review of the financing of the program.

15 See Appendix G, Figure G.1.

16 Special tabulations of Canada Employment and Immigration Commission data.

17 See Appendix G, Figure G.2.

18 See Appendix G, Figure G.8.

19 See Appendix G, Figure G.9.

20 See Appendix G, Figure G.11.

21 See Appendix G, Figure G.12.

Part II

What Are the Needs of the Unemployed?

Part II

What Are the Needs of the Unemployed?

Unemployment is no longer a short-term cyclical event affecting only a few marginal workers and companies. Increasingly, unemployment arises from major structural changes in the economy involving whole industries, occupations, communities and regions. The result is that the needs of the unemployed are changing too.

The interdependence of social and economic policies and programs becomes readily apparent when one attempts to find better ways to meet the needs of the unemployed. It is obvious that what the unemployed want above all else is jobs, not Unemployment Insurance benefits. Individuals who are unable to find employment, however, need some form of financial assistance to support themselves and their families while they continue searching for work, await a return to work, move to another community, or retrain for other kinds of work. The accelerated rate of change in the economy calls for many initiatives besides Unemployment Insurance to build greater adaptability in the labour market.

Meeting all the needs of the unemployed is a task well beyond the scope of an Unemployment Insurance program. Unless reform of the current program is undertaken as part of a broad, integrated human resource development strategy, it can be no more than a token effort, almost certain to fall short of its objective. It would be irresponsible to give serious consideration to removing regionally extended benefits, for example, without providing an income supplement to workers faced with economic hardship, and without providing development funds to regions and communities suffering from the impact of economic forces well beyond their control. Practical reforms must include a strategy directed to recognizing the increasing need for workers to retrain as skill demands change and the particular problems this poses for the large number of the unemployed who have a low level of education. Employment policy and the Unemployment Insurance program are closely related to tax and fiscal policy, retirement policy, and regulations governing hours of work. Examination of the strengths and shortcomings of the current program should be undertaken within the broader context of a longer-term strategic plan for human resource development.

A necessary part of a strategic plan for human resource development is the setting of objectives. The following objectives would be considered reasonable by most Canadians:

- an educated and adaptable work force;
- an array of options that will enable individuals to exercise choice in moving into and out of the paid labour force;
- full employment; and
- adequate income security for those temporarily out of work or unable to work.

It is important, of course, to recognize that these goals are dependent upon broader economic goals of continued growth and stability. It is also important to recognize the multiplicity and sometimes contradictory nature of social and economic objectives and the likelihood that they will change over time. It is not enough simply to set economic goals and trust that achievement of social objectives will follow.

The objectives of a human resource development strategy are embedded in the national culture: the set of beliefs, values, attitudes and opinions that influence behaviour. Beliefs and attitudes change over time and, as demonstrated by the success of health promotion campaigns, both attitudes and behaviour can be modified by explicit policies and purposeful initiatives. Government-initiated programs and policies should be aimed at achieving a concerted, integrated set of social reforms consistent with the four objectives identified above. These reforms are necessary in order to address the needs of the unemployed, and they must provide a base for any proposed revisions to the Unemployment Insurance program.

Part II describes the ingredients of an integrated human resource development strategy. Within this section, Chapter 3 looks at full employment, at employment development strategies in general, and at the role of Unemployment Insurance and job creation in particular. Chapter 4 outlines Canada's income security system and the role of Unemployment Insurance in that system – in terms both of what it does now and what it should do in the future. Chapter 5 identifies fundamental inadequacies in the educational and skill level of the Canadian work force and examines the role of Unemployment Insurance in training. Chapter 6 addresses the need for increased flexibility in the labour market and evaluates adjustment programs, retirement policy and alternative work patterns – the ideas behind the call for shorter work days, work weeks, work years, and the work-sharing program within the current Unemployment Insurance system.

A human resource development strategy is essentially a strategy for investment in people. As with any other investment, planning must precede action. A strategy must be developed that will translate the need for jobs, financial assistance, skills and increased flexibility in the workplace into a coherent and feasible program of action. No one knows exactly what the appropriate balance should be, but the current situation demands initiatives on all four fronts – and not just by governments. A human resource development strategy would be meaningless without the involvement and commitment of all Canadians – governments, labour, employers. It is not just a new label for the same tired old ideas; it is, rather, a different way of looking at the future. It means considering the full spectrum of problems that Canada faces in attempting to remain internationally competitive and to adapt to new ways of organizing work and to new demands on the skills and experience of workers.

A human resource development strategy, as its name suggests, has two major ingredients. It puts people first, and it does this in the context of a broader strategic plan. It harnesses our natural talents and directs them to their most productive uses. Developing and implementing that strategy is the theme of the next four chapters.

Has Canada Given Up on Unemployment?

The following article appeared in The Toronto Star *on June 8, 1961. An unemployment level of 5 percent was of as much concern 25 years ago as our current rate is today.*

Government economists, says The Star's Ottawa Bureau Chief Val Sears, see little hope of reducing unemployment below five per cent of the labor force.

Hidden in the weak broth of recovery on which the ailing Canadian economy now is feeding is an indigestible lump of more than 300,000 unemployed.

These men and women – five per cent of the labor force – are the "acceptable" number of unemployed which government economists consider will always be with us.

No matter what stimulants are included in the forthcoming budget, they say; no matter how steeply the graphs of economic growth may climb in the two-year "upbeat cycle" ahead, Canadians will have to be content that full employment means 95 per cent of the labor force at work.

Liberal economists take a gloomier view.

Unless there is a massive government readjustment of the economy, unemployment will not drop below six per cent.

This is more than twice the amount the Gordon royal commission on Canada's economic prospects used in its 1957 calculations of the country's future.

U.S. Intervention Level

More significantly, perhaps, it is above the level President Kennedy's economic advisors have set as the point at which substantial government intervention would be needed to keep the American economy growing.

Walter Heller, chief of the president's council of economic advisors, has said that without more government spending, tax cuts or a combination of both, the American economy will have an unemployment rate of five and one-half per cent.

And he regards this as an unacceptable figure. It should come down to four per cent.

Americans out of work now represent seven per cent of the labor force as opposed to 9.7 for Canada in April.

Behind this underbrush of percentages are men and women, out of a job, looking for work, struggling to feed and clothe themselves and keep their pride in the midst of a society that, for a time at least, will grow steadily more affluent.

These "acceptable" unemployed are not only costly in human terms, they are a drain on the government's social resources – the unemployment insurance fund and all manner of municipal assistance.

While there is no doubt that even in a wildly expanding economy such as Canada had during World War II, substantial numbers of people will be between jobs or looking for new ones (63,000 in June, 1944), the anticipated five per cent is too high to be gloomily accepted.

No government official, mind you, would ever publicly admit that the country should be content with any specific number of unemployed.

Full Employment Fetish

In fact Canada, under a Liberal government, made something of a fetish about full employment standards.

In reply to the resolution of the economic and social council of the United Nations in 1950 to define the standard by which each government implies the meaning of full employment, Canada stated her economy was too dependent on export markets to be able to determine a full employment standard.

And in 1953, the government shrugged off another attempt by saying that Ottawa was too much in the hands of the provinces to set any nationwide standard.

Professor Stanislaw Judek of Ottawa university, in his brief to the senate committee on manpower and unemployment, called this a "strange admission."

"In view of the gravity of unemployment today, surely, the complexities of inter-government financial and constitutional relations should not present unsurmountable difficulties," he said.

Liberal economists maintain that other countries have succeeded in keeping acceptable unemployment figures low and there is no reason for Canada to be pessimistic about this country's ability to do so.

Sweden, a country whose economy is roughly comparable to Canada's in that she is a primary producer trying to find export markets for a number of manufactured goods, had an unemployment rate of 0.8 last summer. Canada had five per cent.

Swedish Job Plan

(The Swedish government, among other things, builds prefabricated houses and ships them to areas where workers are needed, then pays for the worker and his family to move where the jobs are.)

Who are these people for whom jobs apparently cannot be found?

They are, in the jargon of the economists, the "frictionally unemployed, the seasonally unemployed and the structurally unemployed."

The frictionally unemployed are those who are not at the right place at the right time when a job is available either because they did not know about the job or were unable to move to get it.

Seasonal unemployment is a particularly serious problem for Canada because of the wide variation in climate and the emphasis on primary industries such as lumbering, fishing and wheat growing which are dependent on the weather and season.

Seasonal swings redistribute but do not alter the average level of unemployment.

Structural unemployment is by far the most serious long-range problem. It results from technological changes in industrial or service trades that leave the ill-trained worker behind.

All three of these unemployment lumps can be chewed on to reduce them, at least in part, to digestible portions.

Economists have recommended an increased mobility through portable pensions; provision for transport and resettling; a substantial increase in public works spending to beef up the construction trades and absorb casual labor; and a massive technological training program.

As the current commercial letter of the Bank of Commerce points out unemployment is not a "temporary phenomenon" and calls for fundamental remedies.

It is clear that five per cent of the labor force of 6,440,000 permanently unemployed cannot be dismissed as "the best we can do" in a society increasingly conscious of its responsibilities to fellow human beings.

Greg MacLeod, Founder of New Dawn,[a] Cape Breton, Nova Scotia

Community-based development holds promise for long-range employment growth. Mr. MacLeod outlines the case for community economic development initiatives.

It's wrong to think of the problem of unemployment as just lack of jobs. The problem is that many communities do not have structures that solve local economic needs. To implant jobs without paying attention to establishing any long-term self-sustaining structure is just delaying the problem.

We do need short-term solutions as well, but if you're going to solve the problems of a depressed community in the long term you've got to create organisms in that community that are self-sustaining and will stay in the community and continue to employ people. It's an extreme position to say that the community can do this itself. In a modern industrial country, as much as 40 percent of the economy is directly linked to government. And it's just naive to say that a depressed local community can solve its problems without government collaboration.

For the past 20 years the initiative has come from central government . . . Somebody in Ottawa devises a program and advertises in local newspapers and on radio that you may apply to participate in this program. I'm proposing a different approach. I'm saying the initiative should start in the community, where people first try to do things and then the government responds with help.

Innovations[b] is one of the better programs and it's going in the right direction . . . but still I have some criticisms, because when the idea is put into operation civil servants lay down the terms of reference and the community loses the initiative. The community has to adapt to rules and procedures, and becomes very dependent on that ongoing program.

Community business should operate like any other business. First, it should build up its equity base and the local community should take responsibility for that equity base A sound government program should act just like a banker, saying "those people have proven themselves, now we can give them some help." In the past it has worked just the opposite. If a group has been successful and built up some equity base the government won't help them . . . So being successful is a disincentive!

You see, when a group has built up equity, it's independent, and government officials don't like dealing with local groups that have any kind of independence. They normally want the community group to be dependent on the government official for advice and direction . . . Bureaucracy works that way.

The key thing is that community groups can use business methods for social purposes and that social purposes are difficult to achieve without business methods. Let community groups develop their own ideas and give them lots of leeway. The government imposes more restrictions on community groups than on private business. It gives money to Dome Petroleum and lets them use their initiative and imagination. But when it gives money to community groups, it applies all kinds of structures and strictures that prevent the group from developing business equity. That's my big beef.

For instance, New Dawn asked for government funding for a venture to generate revenue and make some profit in order to buy development land for housing. The program officers said we were not allowed to make money under these programs. We adapted, we became "sea lawyers" clever at finding loopholes . . . like other community groups . . . and that's how we kept going.

Several times we almost went bankrupt . . . A community business goes through all the crises that any business will go through. We survived because of our volunteer management – our board of directors and their committees, all local people.

We now have assets of around $12 million, which is respectable . . . but we have liabilities too, because lots of stuff is all mortgaged. We have a home for the aged and are developing a project to care for people in their homes. Now this is something else, too . . . In the real business world, 70 percent of jobs are in the service sector, in such things as information. So any community business that is awake, that is contemporary, is going to develop in these areas. Government officials frown on this . . . Very often they concentrate on secondary manufacturing and are out of date.

But still, I'd say a community corporation should take on any business as long as it will create jobs and be viable. I'm very skeptical about depending on companies coming from the United States or Europe to solve the problems of Newfoundland, Cape Breton or Manitoba . . . that we can entice companies to come in and create jobs for us. I don't believe it will succeed in the long run. It will be temporary. I believe that we have to anchor business in the local community and that the local people have to be involved.

In Cape Breton alone there are 35,000 people unemployed. New Dawn is just a little blip on the Cape Breton scene. It employs maybe 40 people or so altogether. But over the years, people have come from other parts of Nova Scotia, British Columbia, Newfoundland – all over the place – looking to see how New Dawn operates. I think we have had a big impact in Canada with this idea that the community group can legitimately make money and build up an equity base and that makes it more effective socially.

[a] New Dawn is described in a box later in this chapter.
[b] One of the programs in the Canadian Jobs Strategy.

Chapter 3

Jobs

Introduction

Participants at the hearings were clear. The unemployed need jobs – not simply a better Unemployment Insurance program. They called for a full employment policy in Canada, although few were prepared to state what that meant or how it should or could be achieved. Chapter 2 showed that, although employment has grown, full employment has not been achieved. We know how many are unemployed today but we do not know how many new jobs are required for "full employment" to prevail ten years from now. Policy makers are shooting at a moving target. Expectations in regard to the labour market will continue to change. For example, in 1955 "full employment" would have been possible with only 50 percent of the adult population at work, because of the low participation rate of women. Today, however, if the same percentage of adults were employed, the unemployment rate would be 22 percent. Even though the specific target is not clear, the direction to be taken is. Creating more opportunities for employment must be of high priority and must figure prominently in any strategic planning for human resource development.

"If you think the system is working, ask someone who isn't!" (Organization of Unemployed Workers, Port Alberni, B.C., picket sign)

"We have unemployment at levels not seen since the Great Depression, and the answer to this problem is jobs, not unemployed-worker bashing." (Kamloops Unemployment Guidance Centre, Vancouver hearings)

This chapter will discuss such questions as:

- What is the role of governments, communities and individuals in creating opportunities for employment?
- Is full employment a reasonable objective of economic policy?
- What should be done to improve the ability of our economy to generate permanent jobs?
- How successful have federal job creation programs been?
- What kind of economic climate would make efforts to increase employment more successful?
- Should Unemployment Insurance have a role in job creation?

There is a tendency to think of job creation in terms of discrete, government-funded job creation programs, but most jobs have not been created by this process. What is most important is the general economic policy that sets the stage for employment growth. Consequently, this chapter deals first of all with economic policy: economic growth and short-term stabilization policies.

"Employment growth" is the term used here to describe the process by which increased economic activity produces more opportunities for employment. "Job creation" refers to the process by which government programs are implemented with the explicit goal of creating jobs.

"Job creation, yes, we need jobs desperately. Everybody needs jobs. But not just the idea of job creation alone . . . I've seen people that get jobs on projects and just work and sometimes they don't even work. They are there filling in time, getting a pay cheque and losing pride by the gallons and pounds and tons, and self-respect and dignity." (New Brunswick Association of Métis and Non-Status Indians, Bathurst hearings)

The General Economic Policy Context

"I suggest that as far as a cure is concerned, the best cure is economic growth." (Sam Jannohamed, Edmonton hearings)

The demand for jobs in any nation can be met only if there is economic growth. Programs to "create jobs" may appear successful, but unless the total number of jobs is growing, that success will be deceptive: new jobs created in one firm or in one part of the country may have taken place at the expense of another firm or another region. Economic growth creates the climate in which the increase in jobs can be real and not simply a shifting around of employment and unemployment. Therefore, what is important is growth in the economy at a pace sufficient to absorb the growth of the labour force.

"The major cause of Canada's unemployment problem is the depressed state of the economy. No amount of government training and job creation programs will help to overcome job reduction caused by the inability of industry to sell its goods and services. The root of the problem is that the majority of Canadian products are not cost and price competitive in either domestic or world markets. The markets are still there, but other countries are supplying them. The reason is not quality, it is cost, including that associated with labour. A study done by the U.S. Department of Labor showed that hourly compensation costs in manufacturing industries in Canada were second highest among nine countries. The cost of labour in Canadian manufacturing industries has now risen to the point where it has become approximately 65 percent of the total cost of goods produced." (Machinery and Equipment Manufacturers' Association, written brief)

The policies and instruments required today to promote economic growth and, consequently, growth in employment are not necessarily those of previous decades. New problems have emerged, conditions have changed, and new solutions may be required. At the beginning of the 1970s it was fashionable to belittle the possibility of economic growth and even to question its importance. It was presumed that anticipated shortages and rising costs of raw materials, and the environmental degradation associated with industrial development would restrict and eventually prevent further growth in the economy. But since that time, the prices of many raw materials have declined in relation to prices of manufactured goods and a beginning has been made in combatting pollution and alleviating other environmental damage. While obstacles to economic growth have declined in significance, the need for continued growth has become painfully obvious. For Canada, and most other industrialized countries, the trend toward increasing participation in the labour market has continually exceeded the increase in jobs.

During the hearings, the call for more jobs was heard repeatedly. For some, discussion of the rules governing Unemployment Insurance was irrelevant; the real need was to create the conditions that would allow the economy to surge ahead and to open up enough employment opportunities to reduce unemployment to its low "frictional" level.

"There is only one reasonable way to come to grips with the number of people drawing UI and the overall cost of the program. That is to reaffirm full employment as the first priority of economic policy." (Canadian Labour Congress, written brief)

A call for jobs translates directly into a call for economic growth, since in most industries additional jobs come about only as a result of substantial capital investment. While the amount of investment required to create a job varies by industry, it is generally true that the amount has grown over time. This is so even in the service industries, where employment growth is greatest. The advent of the electronic office, for example, has meant that the amount of capital per employee is much higher than it was five or ten years ago. As the megaprojects involving the tar sands and offshore oil attest, capital requirements in primary industries continue to be very high. An extreme example is an aluminum smelter currently being built in Quebec, where the investment required for each new job created exceeds $1 million. While the jobs that are created by such projects pay well, technological change also means that there are fewer jobs than if that smelter had been built ten years ago.

This example illustrates an important fact about the relationship between investment and employment growth. Technological change has made employment growth relatively more expensive. But failing to keep pace with competing nations in adopting the latest technology simply saves jobs today at the cost of future jobs, because developing new processes and products is essential in order to compete successfully in world markets. Furthermore, unless there is significant unused capacity in the economy, employment cannot grow without investment.

There are two kinds of investment. One is designed to reduce costs and increase productivity (i.e., output per unit of labour) by substituting capital for labour, as well as for energy or raw materials. Such investment may well reduce employment, but to the extent that this makes firms more competitive, it may contribute to the preservation or expansion of jobs in the long run. The second type of investment is designed to start new ventures or increase total productive capacity, and leads directly to growth of employment.

Over the past several decades, most industrialized countries have had to embark upon investment of the first kind to save energy, to defend their position in international trade, to keep pace with innovations and to protect the environment. The more a country has to invest for these and other purposes, the less is available for increasing total capacity and employment. The solution to this dilemma is to raise the overall level of investment sufficiently to allow a country to keep pace with changes in its operating environment and also to expand its overall productive capacity so that employment can match the growth in the labour force.

How well has Canada performed in meeting the need for these two kinds of investment? With respect to increasing total output, Canada has been more successful than the United States and Western Europe (see Figure 3.1). This rise in total productive capacity has led to Canada's

> **"The government wants to subsidize capital-intensive energy because it is sexy. Hydro plants are sexy. Nuclear power plants are big, masculine, macho things. People make big money out of them. People get a chance to show what they have done. They create few jobs and huge debts." (Kenneth Emberley, Winnipeg hearings)**

> **"Our mandate is to create investment; investment will create jobs in the long run. That is the only thing that will create jobs, because it has to be long term and sustained." (Miramichi Regional Development Corporation, Newcastle hearings)**

> **"The world competition is getting tougher and tougher and tougher. Unless we reduce our costs and manpower, we are just not going to be able to compete. So we are caught on the one side with the social implications of a change, and we are caught on the other side in that if we don't change we are not going to be able to compete." (Miramichi Pulp and Paper, Newcastle hearings)**

> **"Countries with cheap labour, new equipment and 'vendu' governments can oversupply markets many previously thought only available to western industrial nations." (Hugh Roberts, written brief)**

Figure 3.1

Changes in Real Gross Domestic Product, Employment and Productivity, 1960–83

(Annual averages)

	Change in gross domestic product	Change in employment	Change in productivity[a]
Canada	4.2%	2.5%	1.6%
United States	3.1%	1.9%	1.2%
Japan	7.2%	1.1%	6.0%
Germany	3.2%	−0.2%	3.4%
France	4.1%	0.5%	3.7%
United Kingdom	2.2%	nil	2.3%
Italy	3.8%	nil	3.7%
Average	3.7%	1.0%	2.7%

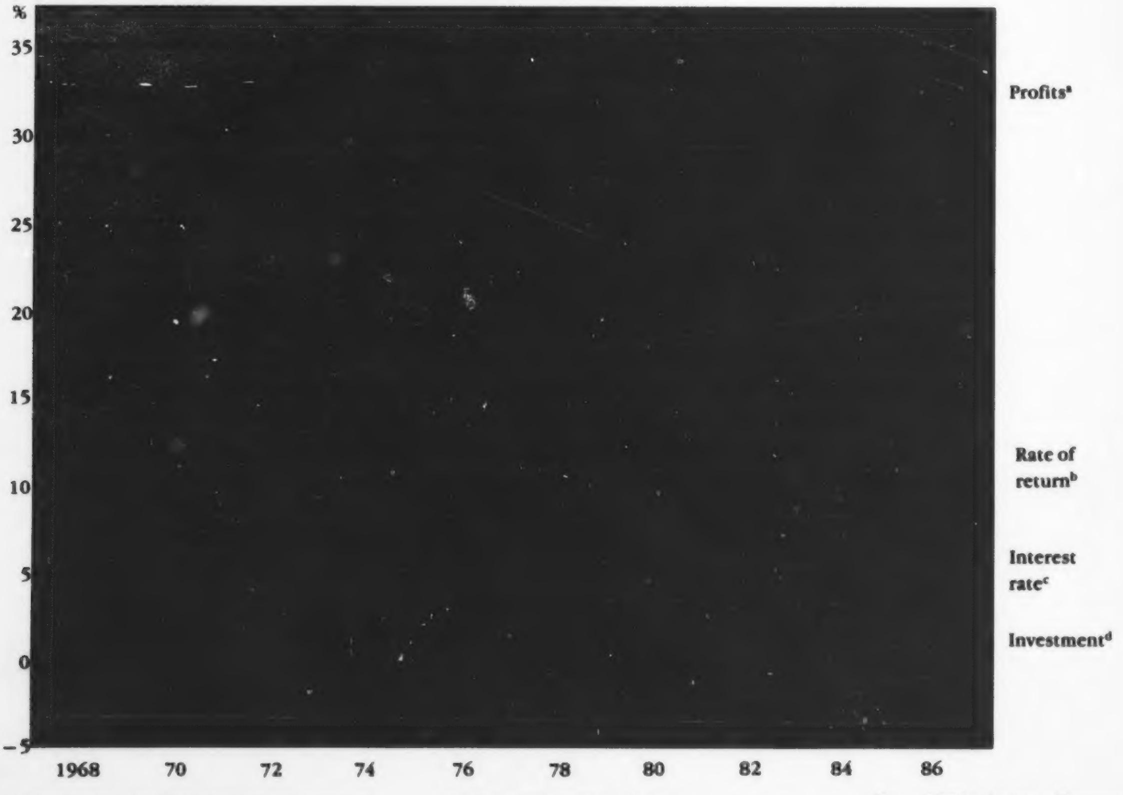
[a] Real GDP per person employed.

Source: Organisation for Economic Co-operation and Development, *Historical Statistics 1960–83* (Paris: OECD, 1985), Tables 1.6, 3.1.

exceptional performance in creating jobs to employ a rapidly increasing labour force. From this perspective the country's performance has been excellent. With respect to gains in productivity, however, Canada has been among the least successful of major OECD countries. This need not have been the case. Rapidly increasing output and employment are not incompatible with productivity growth. It is notable that since 1981 investment in real terms has remained stagnant in Canada. That situation is understandable because of the high and rising interest rates that prevailed until 1985. The declining rate of return on investment and the rise in interest rates made it increasingly improbable that new investment would pay for itself (see Figure 3.2). Stronger productivity growth could have been achieved if the overall level of investment had been higher.

Whatever the reasons, there has not been sufficient investment to increase productivity and enable employment to catch up fully with the growing labour force. For an open economy like Canada's, falling behind other nations in terms of productivity means an eventual decline in its competitive position and in the growth of employment. Economic

Figure 3.2
Profits, Rate of Return and Investment in Manufacturing



a Gross operating surplus as a percentage of gross value added.
b Gross operating surplus as a percentage of gross capital stock.
c Growth of real gross capital stock.
d Long-term government bond yields less the rise in consumer prices.

Note: OECD estimates and forecasts from 1985 onwards.
Source: *OECD Economic Outlook* (May 1986), Chart C, p. 13.

growth is the only environment in which hopes of employment growth can be realized and unemployment truly resolved.

Recommendation

1 Economic policies should give high priority to raising the rate of growth of the economy, in recognition of the role of economic growth in creating employment opportunities. Particular attention should be paid to policies that would ensure:

- a high and sustained volume of investment; and
- sufficient improvement in productivity to maintain or improve Canada's competitive position in the world.

The economic well-being of a nation requires that there be a close correlation between productivity and wages. For many years there has been little increase in the general level of the productivity of labour in Canada, with some notable exceptions in specific industries. This is reflected in the increase in unit labour costs in manufacturing (see Figure 3.3). The devaluation of the Canadian dollar has generally offset the growing discrepancy between unit labour costs in Canada and in competing nations such as Japan and Germany. Increasing wages faster than productivity has resulted in inflation domestically and devaluation internationally.

Whatever the root cause of poor productivity growth, the impact is compounded by the pressure on governments to counteract short-term fluctuations in economic activity by "managing" aggregate demand. The objective of that process, known as "economic stabilization," is to maintain the country's productive resources at a high level of utilization.

Economic activity is subject to many influences and is likely to be unstable. It has long been recognized as a function of government to intervene in periods of recession in order to stimulate demand for goods and services through the use of general policy instruments – fiscal policy (the balance between taxes and public expenditures) and monetary policy (the general level of interest rates). The hearings provided clear evidence of public support for this role of government. Experts consulted by the Commission of Inquiry agreed that it is possible to reduce the unemployment rate in Canada by means of a properly executed stabilization policy. But it is clear that the potential success of that policy is severely limited. The reduction in the rate of unemployment that could actually be achieved by these means is estimated to be in the order of a few percentage points (i.e., a drop from an unemployment rate of about 9.5 to about 7 percent).[1] That would not be an inconsequential improvement but it would not eliminate unemployment.

Canada is not alone in finding it difficult to eliminate unemployment. This is not a matter of insufficient commitment to the goal of full employment, nor of a lack of political will. Most OECD countries share this problem. There were altogether 10 million unemployed in OECD countries in 1970, almost 19 million in 1979, and more than 31 million in 1984.[2] A legitimate case can be made that, in some circumstances, sustained full employment is practically impossible to attain, no matter how much political will is brought to bear on the issue. In France, for

"The only effective long-term solution to government fiscal problems is to get Canadians back to work through a combination of direct job creation programs and the introduction of economic policies which will stimulate rather than depress our economy." (British Columbia Federation of Labour, written brief)

"Long-range government planning is going to have to take place to create employment and assist the provinces." (Dorrell Robertson, Edmonton hearings)

"Have you people thought about some other form of Unemployment Insurance or income or something, other than the existing system? We would like full employment." (Northern Alberta and Northwest Territories Building and Construction Trades Council, Edmonton hearings)

Figure 3.3

Changes in Unit Labour Cost in Manufacturing Industries, 1960–84

(Annual averages)

	Change in unit labour cost	
	1960–70	1970–84
United States	1.9%	5.1%
Japan	3.1%	4.4%
Germany	3.8%	4.4%
France	2.4%	9.2%
United Kingdom	3.7%	11.8%
Italy	4.6%	14.1%
Canada	1.2%	7.3%
Average	2.6%	6.3%

Source *OECD Economic Outlook* (May 1986), Table 4

example, the number of unemployed went from 1,371,000 in 1979, two years before the election of a government committed to economic expansion, to 2,319,000 in 1984, after three years of "stimulation."[3] Nevertheless, the United States has managed to reduce unemployment quite spectacularly since the last recession by adopting a highly stimulative fiscal policy. This formula has been effective, but has resulted in a correspondingly large trade deficit for several years, something that smaller countries like Canada cannot do without starting a cycle of currency depreciation, inflation and, finally, retrenchment.

"Unemployment Insurance. . .cannot act as a comprehensive income maintenance system, nor as a solution to problems arising from industrial dislocations. For that we require separate legislation and programs, including economic policies based on full employment objectives." (New Brunswick Federation of Labour, Moncton hearings)

Many economists feel that it is not possible to "spend our way out of a recession." The problem revolves around the relationship between inflation and unemployment. When inflation is as persistent as it has been recently, workers expect prices to continue to rise and so they demand wage increases to keep pace with these expectations. Increased government spending may then fuel these expectations, leading to an increase in both wages and prices, and only part of the increased spending will stimulate additional production and employment. The higher the unemployment rate, the more likely that the result of increased spending by government will be a rise in production. The lower the unemployment rate, the more likely that the result will be increased inflation. The difficulty is to reach the delicate balance between increased production and higher inflation.

Many economists now believe that because of prolonged past inflation, it may be very difficult to reduce unemployment below 7 percent through traditional public policies.[4] The difficulty of the task does not make it less important. What can be achieved may be modest and the room to manoeuvre may be restricted, but any reduction in unemployment would have a significant beneficial effect on all of Canadian society.

"The best situation would be one where there would be meaningful work at decent wage levels for all. But we do not have economic policies at the present time that promote that." (Latin American Mission Program, written brief)

Recommendation

2 **Full employment should continue to be a primary objective of fiscal and monetary policies.**

The Need for Innovative Approaches

For generations, Canadians have believed that governments have a responsibility to stabilize the economy and to use fiscal and monetary policies to achieve the best possible compromise between the objectives of full employment, price stability and balance in the country's external account. In a world of flexible exchange rates and open economies, most countries appear to be unable to achieve economic stability by acting on their own. As a result of disappointing experience, belief in the feasibility of stabilization policies and the ability of governments to achieve "full employment" has gone through a crisis of confidence. New solutions to old problems are required.

"The focus of particular employment strategies at the moment is on frictional, structural and cyclical unemployment, and doesn't in fact address the question of chronic or long-term unemployment." (Graham Riches, Regina hearings)

Perhaps too narrow a range of options has been considered in the past. When traditional remedies for poor economic performance prove to be disappointing, the need for innovative approaches becomes more apparent. The responsibility of government for the performance of the economy requires it to search for new ideas.

Analysis of the operation of labour markets and the decision-making rules used by businesses to hire additional workers has focussed attention not only on the inherent "rigidity" of the process, but also on the implications of the current approach to wage determination. That approach takes the risks present in the labour market away from established workers and concentrates them on marginal workers and the jobless. Under the current process of wage determination, the risks that are an inescapable part of the functioning of any market lead to variations in the level of employment rather than in the level of earnings. These risks also have a disproportionate impact on a relatively small number of the most vulnerable workers who are least able to absorb that impact. Studies of labour market segmentation underline this fact.[5] If that perspective is accepted, Unemployment Insurance becomes, to a significant extent, the price society must pay for operating its labour market in one particular way. This price, however, may be greatly reduced by diversifying the remuneration of labour through such new approaches as revenue-sharing schemes.

One alternative process is persuasively argued under the label of "The Share Economy."[6] In this situation workers agree to take a share of their wages as a negotiated percentage of the revenue of the firm. The arrangement guarantees part of the worker's income through the basic wage, and provides an incentive to improve productivity and to maintain employment levels even during periods of recession. Involuntary unemployment is still possible, but revenue-sharing schemes help to stabilize employment, and the degree of stability increases with the fraction of labour income received in the form of shares (as opposed to the basic wage). The larger the proportion of remuneration that is in the form of revenue sharing the larger the shock of a recession must be to generate unemployment.

"While profit-sharing cannot be expected to be a panacea for lowering unemployment, positive steps to encourage it may nevertheless be worth taking. Furthermore, profit-sharing or similar schemes, in addition to increasing the responsiveness of nominal wages to unemployment, may be worth encouraging as a potentially powerful vehicle for improving productivity, by giving workers a greater sense of personal commitment to their firms." (*OECD Observer*, September 1986)

This approach is widely practised in Korea and Taiwan; in the United States, about 15 percent of all firms have some type of profit-sharing plan. In Japan, where unemployment is usually around 2 percent, about one-quarter of the average worker's pay is in the form of bonus payments, a significant part of which is linked to the firm's revenues or profits per worker.[7] In Canada, however, such revenue-sharing schemes remain relatively uncommon. In order to encourage more firms to initiate these schemes, the revenue-sharing portion of a worker's income could be treated differently and taxed at a lower rate than wages.

If Canada had more revenue-sharing arrangements, a number of advantages might follow:

- higher, more stable employment levels;
- greater output and wealth;
- an easing of the transition for workers in declining industries;
- a levelling of regional disparities in employment opportunities; and
- savings on Unemployment Insurance.

Because of high rates of unemployment and skepticism regarding the effectiveness of traditional policies, these schemes should be actively pursued. Government leadership will be necessary because the concept can be most effective in stabilizing employment if a large number of firms implement it more or less simultaneously.

Recommendation

3 Profit or revenue sharing as a component of total earnings of labour should be encouraged and the treatment of income from these schemes by Unemployment Insurance and Revenue Canada should encourage their introduction.

Economic Development Strategies

Since the late 1960s regional economic development policy has concentrated mostly on trying to attract large firms to the less developed areas of Canada. The primary instruments have been grants and loans to private enterprise, frequently with the amount of assistance tied to the number of jobs created. In addition, the Department of Regional Industrial Expansion and its various predecessors have provided grants and subsidies to provincial and local governments for building and upgrading infrastructure facilities, such as ports and roads, to assist in local economic development.

"They built an oil refinery in the strait, a heavy-water plant down the road and one in Port Hawkesbury. But what they failed to do was put the brakes on in the rest of the country. They duplicated these in other parts of Canada with more political clout than we have here, so ours closed and they kept them going in Ontario." (Cape Breton Island Building and Construction Trades Council, Glace Bay hearings)

From the perspective of employment growth, the two most important elements have been the Industrial and Regional Development Program and federal-provincial Economic and Regional Development Agreements. The levels of assistance provided under these programs tend to be linked to local unemployment conditions. Under the Industrial and Regional Development Program, which deals directly with business, it is estimated that 32,000 jobs were created and 17,700 maintained during 1984/85 at a total cost of $500 million.[8] Since that program underwrites job creation in the private sector, those jobs are likely to last longer than those created by the short-term projects funded by the Canada Employment and Immigration Commission. Part of these expenditures is aimed at helping new firms to get started and existing firms to expand and modernize. The Nielsen Task Force revealed that in 1985 only 18 percent of the program's funds were granted to firms with sales of less than $2 million.[9] This suggests a certain bias toward the manufacturing sector and against the service sector of the economy. As shown in Chapter 2, between 1975 and 1982, over 50 percent of net employment growth was in businesses with fewer than 20 employees and two-thirds of all new jobs were due to the formation of new firms rather than the expansion of existing firms. Thus, providing industrial assistance to new and small businesses, including those in the service sector, would seem to promise greater growth in employment.

In terms of promoting regional economic development, the focus should be on increasing the productive capacity of the region rather than simply subsidizing firms to locate in that region. Analysis suggests that the Economic and Regional Development Agreements between the federal government and the provinces should concentrate on three areas. The first is encouragement of research and development and promotion of investment to enhance productive capacity. The second is development and improvement of infrastructures to help local governments provide better transportation systems, industrial parks and commercial sites, educational facilities, healthy urban cores and public utilities.[10] The third is financial support for community economic development, which is another aspect of an overall employment strategy. A current Economic and Regional Development Agreement with Newfoundland includes that type of assistance.

"More and more communities are experimenting with small business incubators as a way to revitalize, to transform underused properties, to increase job opportunities, and to broaden the community's economic base." (Canadian Federation of Independent Business, written brief)

"An effort by Canada to provide proper infrastructure to allow a base for economic development in the North would stimulate private and public entrepreneurship and allow for the creation of jobs. The Unemployment Insurance regime, of course, would benefit." (James Bay Cree Corporation, written brief)

"Why not turn to other patterns of investment that would be community based, small scale, and labour intensive?" (Pat Kerans, Halifax hearings)

The Beauce

The small farms and countryside of the Beauce used to be one of Quebec's most economically depressed regions. Bypassed by tourists, its forests depleted, its soil rocky, its roads poor, it was fast losing its young people to more prosperous regions.

In 1973, local businesses joined together and founded the Beauce Economic Council, a regional development organization.

The council began by urging local lending institutions to invest more in small business ventures, especially manufacturing plants that would create permanent jobs. At the beginning, the entrepreneurs did what they knew best: forest products and food processing – industries already established in the region. After attaining considerable success, they have diversified into such areas as bicycles, truck trailers, and brand name shirts.

The Beauce is the home of Culinar, producer of Vachon cakes, and the Canam Manac Group which, besides being one of Canada's biggest truck-trailer manufacturers, supplies more than half the Canadian market for steel joists used in construction.

With a population of only 75,000, the Beauce now has 350 manufacturing industries, which annually pay $100 million in wages and ship goods worth more than $1.2 billion across the continent and around the world.

Community Economic Development

Successful community economic development initiatives are characterized by extensive involvement of the local community in identifying needs and potential markets, and in planning, evaluating and encouraging new ventures. Traditional government-funded job creation projects are too rigid for sound community economic development, which must be more responsive to the community. First and foremost, local involvement in identifying potential ventures and supporting them leads to jobs that become part of the fabric of the community. These ventures are the result of local enterprise and economic growth, and depend on the community's continuing capacity to generate and to maintain business. They embrace both social and business growth, and can be a powerful tool in promoting community regeneration and self-reliance. An initiative of this type has been successful in regenerating communities such as the Beauce in Quebec (see box).

There is a great deal of community economic activity in Canada, but it is hampered by a lack of public understanding or support. In a recent report to the Canada Employment and Immigration Commission, the Canadian Council on Social Development identified about 500 organizations directly or indirectly involved with community economic development.[11] This Commission of Inquiry undertook a number of field trips and consultations to meet groups involved in community development. The Canadian Association of Threatened Single-Industry Towns, New Dawn in Nova Scotia, the Deh Cho Regional Council in the Northwest Territories, Riverborne (part of the Winnipeg Core Area Initiative)[12] and the Local Exchange Trading System (LETS) all demonstrate the potential impact of a more innovative approach to economic problems (see boxes).

Policy makers need to become more familiar with the role that such community development initiatives can play in an overall strategy to promote economic growth. These initiatives include two different approaches. One is a community or regional council approach where the local community actively plans and encourages economic activity. This approach frequently involves all levels of government, but the pivotal role is played by business and labour through their participation on the council. Their combined efforts are primarily directed toward encouraging business and new industry that can survive and prosper in the community. Communities such as the Beauce, Lynn Lake, Fort Simpson and Winnipeg's core area are actively involved in this type of community economic development.

A second approach to economic development involves community development corporations, worker cooperatives and other legal entities especially created to foster economic development. These corporations are very different from the social animation approach to community development of the 1960s and '70s, which concentrated on helping a community to identify its problems and then to "lobby" for change. They have specific objectives and are run as businesses to meet a community need.

There are sound reasons for a distinct community-based employment strategy to supplement but not to replace the industrial and regional strategy of the Department of Regional Industrial Expansion,

"Rather than taking the traditional job creation approach . . . look more in terms of developing an economic base. For instance, job creation monies go into non-traditional occupations. Here in New Brunswick a number of small entrepreneurs do not have the access to financial developmental monies that larger businesses may have." (Fredericton Anti-Poverty Organization, Fredericton hearings)

"We have, for example, a used-clothing store, for which after three or four years we have managed to get federal funding, but which was funded locally for start-up. 'At Your Service' is a restaurant-training program; 'K-Team' is a group of moms that have gotten together and are actually providing full-time employment now for approximately 30 persons a year." (Regional Municipality of Ottawa–Carleton, Ottawa hearings)

"In Halifax, for example, construction and maintenance of adequate and sufficient low-income housing, community-based play areas and affordable daycare facilities are a few of the services that require human resources. Although in many cases, this work does not provide profits, there are existing examples of community development corporations and worker-owned cooperatives that have demonstrated the possibility of doing good work and good business simultaneously." (Metro Action Committee for Employment, Halifax hearings)

"Many community economic self-help ventures, however, have in the past experienced two major problems which have hampered their success – lack of start-up capital and lack of technical expertise. Capital to invest is not easily found in communities facing chronic unemployment, underemployment and poverty, yet it is those same communities that most need economic development. The Coalition of Equality recommends that monies in the form of loans, loan guarantees, direct investments and grants be made available to communities wishing to undertake community economic self-help. We further recommend that these monies be administered through an appropriate financial institution which is made up of representatives of member organizations (communities seeking funds), is an autonomous body, and develops criteria for assistance." (Coalition for Equality, written brief)

The Canadian Association of Threatened Single-Industry Towns

The Canadian Association of Threatened Single-Industry Towns grew out of a crisis facing two mining towns – Red Lake in Ontario and Lynn Lake in Manitoba. Since both towns faced mine closures, they decided to join together to deal with their similar problems.

Their partnership was then expanded to include all single-industry towns, regardless of the industry base. At a founding conference in Winnipeg in May 1985, 62 delegates from across Canada met to share their problems.

Goals and operating principles for this non-profit, grass-roots organization were developed under a basic mandate of helping to provide a more secure future for people living in single-industry and resource-based communities in Canada.

The association offers a number of services, including a speakers' bureau, research on economic diversification and social issues, and studies on community impact. It has delineated the major problems facing single-industry communities as:

- lack of contingency plans by federal, provincial or local governments in the event of industry closure;
- lack of long-term plans for community development;
- lack of larger economic development strategies;
- overly complex regulations and procedures that make it difficult to use government programs; and
- slow government response to communities facing the crisis of closure.

The association has recommended a number of approaches to deal with these problems. To replace short-term response to individual crisis, it has developed a 37-point program. In this program government, industry, labour and advocacy groups work together on ways that single-industry communities can prepare for a healthier economic future. The association hopes, through the program, to convince people living in single-industry towns and resource-based communities that instead of turning to government to save their town, they must rely on their own initiative, commitment and long-term planning.

New Dawn: Business for People

Established in Cape Breton in 1973, New Dawn grew out of the Cape Breton Association for Co-op Development, which had in turn evolved out of frustration with the government's failure to attract industry to the area.

A local handicraft enterprise which operated out of several rented rooms in Sydney appealed for financial assistance to move to better premises. Because of the job creation potential and cultural value, the association decided to help.

An old store was available at a cost of $60,000. Personal guarantees from members of the board of directors raised a $40,000 credit union mortgage, and $20,000 was borrowed from the bank. Various federal make-work grants funded renovations and improvements. Commercial space was rented on the first floor and eight bachelor apartments were constructed on the second floor. This income allowed the association to add $20,000 to the mortgage and pay off the bank loan.

Besides being a worthwhile business venture, the project achieved several social objectives. It provided work for unemployed workers. It supplied financial support at a critical time, permitting the continuation of a thriving craft enterprise. And it supplied better housing and more attractive commercial facilities in a section of the city that was deteriorating.

A further result of this project was the creation of New Dawn, which was incorporated in 1976. The Cape Breton Association for Co-op Development was maintained as a subsidiary, and since it now owned $200,000 worth of property it concentrated on housing and construction.

By 1979 New Dawn had become a conglomerate with over $1 million in real estate, including two dental centres, a group home for the post-mentally ill, a senior citizens' home and a senior citizens' resource centre. It employed about 30 people. In 1984, the housing construction program alone amounted to more than $2 million. By 1985 assets were nearly $10 million. New Dawn now has a legal structure which includes three separate corporations for business, social and cultural ventures, with a chief executive officer and managers for each of its various departments. The conglomerate is presided over by an unpaid volunteer board of directors recruited from the community. From its inception, New Dawn has tried to recruit people who combine technical competence and social conscience.

After 10 years, New Dawn continues to wrestle with its goal of reconciling economic and social objectives. Although the corporation is not for profit and is particularly concerned with the social and cultural needs of the community, it accepts only those projects which seem economically viable. To date it has been successful.

The Winnipeg Core Area Initiative

In 1981, federal, provincial and municipal governments launched the five-year Winnipeg Core Area Initiative. At the time, the 100,000 residents of Winnipeg's 10-square-mile core area were plagued by inner city problems typical of large North American cities.

A thousand projects were launched under three main program areas:

- Education, training and employment – budget of $15.4 million plus $42.8 million complementary funding, largely through the Canada Employment and Immigration Commission for job training and employment creation.
- Strengthening inner city neighbourhoods – budget of $30.5 million plus $73.7 million complementary funding, largely through Canada Mortgage and Housing Corporation for home repairs; building non-profit and cooperative housing; and creating and improving community facilities such as daycare centres.
- Promoting economic growth through key site development – budget of $45.5 million, plus $202.7 million complementary funding in assisted or auxiliary development for loans to small businesses; industrial development; rehabilitation of heritage buildings; and Chinatown development.

The $96 million core budget was contributed equally by the three levels of government, which were all involved at both policy and implementation levels. Besides the improvements accomplished under its projects, this urban renewal megaproject had beneficial results in three general areas.

First, it levered and focussed unprecedented levels of public investments, and was able to integrate and rationalize the funds more efficiently than if there had not been a central, unifying framework. In addition, it attracted several other multi-million-dollar projects to the Winnipeg area, such as a National Research Council building and an Air Canada complex.

Such large undertakings fostered the second benefit, the creation of private sector confidence and investment. The business community invested at least $200 million in commercial and residential development.

The third benefit was on the human side: many more Winnipeg residents now had skills, jobs and a healthier, more prosperous place to live.

The program has not been an unqualified success. The involvement of three levels of government and the breadth of objectives resulted inevitably in compromises. Nonetheless, Winnipeg's Core Area Initiative is being studied by European and U.S. policy makers as a unique example of an urban revitalization strategy undertaken by three levels of government.

The Local Exchange Trading System

The Local Exchange Trading System (LETS) was established in the Comox Valley in 1983 by Michael Linton as a way to revive the economic stagnation resulting from high unemployment.

It overcomes the limitations of an ordinary barter system which operates on a one-to-one basis by creating a pool of community currency that participants can draw on. Participants pay a $25 entry fee. They can then trade goods or services on the community market, selling or buying in a combination of real dollars and so-called "green dollars," which are the system's own currency. All transactions and items in demand or on sale are logged into a central computer so that traders can "bank" their credits toward future purchases.

For example:

- An electrician buys a cord of firewood from a woodlot owner for Green$20 and Can$15.
- The woodlot owner uses Green$15 and Can$15 to pay a roofer for repairs to his house.
- The roofer orders a hand-made sweater from a craftsperson, paying Green$30 and Can$20.
- The craftsperson pays the electrician Green$15 and Can$20 to fix her stove.

The LET system works well in small communities because it encourages an interdependent local company. Retail businesses are, however, reluctant to participate in the system because they depend on non-local suppliers and have commitments to other facets of the conventional economy.

Six hundred persons participate in the Comox Valley system. Ten other B.C. communities have been operating their own systems for about two years; new LET systems are being started in several cities in Canada and the southern United States.

The British Enterprise Allowance Scheme

The British Enterprise Allowance Scheme, introduced in 1982, is open to anyone 18 years and older who has been unemployed for 13 weeks (or on notice of redundancy) and is drawing unemployment or supplementary benefits. Participants receive a weekly allowance of £40 for one year and are eligible for three free business counselling sessions. To be eligible, participants must create a new and independent business, toward which they have £1,000 of their own money to invest and on which they agree to work full time. Seventy percent of participants experience an increase in weekly benefits on the scheme; 30 percent experience a decrease.

By June 1985, 88,000 persons had participated in the scheme. Twenty-six percent of participants were under age 25 and 23 percent were women.

The most popular business structure was a single-person enterprise, followed by a two-person partnership. The service sector attracted the most participants (65%), and the strongest occupations were construction (16%), retail trade (16%), and goods and vehicular repair (12%).

On average, after six months on the scheme, for every 100 businesses set up, another 45 jobs were created, approximately half of which were full time. After 15 months this rate increased to 68 jobs. Most of these additional jobs were created by a small proportion of the businesses.

It is estimated that half the entrepreneurs would have set up businesses without the scheme. Of those who completed the first year, 86 percent were still in operation after 15 months. The most successful group were older men who had experienced relatively short periods of unemployment. Almost two-thirds of closures after one year's business occurred when the allowance was cut off. Most frequent reasons given for cessation of business were lack of demand for goods and too much competition.

The Canadian Jobs Strategy: Current Initiatives

In 1985 the Canada Employment and Immigration Commission responded to criticisms levelled at its previous programs by reorganizing a panoply of federal job-training and job creation programs into the Canadian Jobs Strategy. The new program is meant to address the fundamental structural issues of the economy and the labour market, in contrast to the previous focus on short-term, cyclical problems. The six components of the new strategy have a projected budget of $1.6 billion for 1986-87. They are:

A Job Entry Program: a program to help young people who have not completed secondary school and women who have been out of the labour force for at least three years. The program subsidizes institutional and on-the-job training and work experience. It offers a combination of training and work experience of up to 52 weeks for skills in demand locally.

A Skill Investment Program: a program to assist workers whose jobs are threatened because of new technology. It supports the full-time or part-time retraining of currently employed and self-employed workers in occupations and industries threatened by structural change. Training to meet local and regional demand for skills can last up to three years, with training costs and wages subsidized by the federal government.

A Skill Shortages Program: a program to train unemployed workers in skills for which there are existing or anticipated shortages on a regional or national basis. The program involves on-the-job training with private sector employers. It offers up to three years' assistance to employers to retrain their workers for skills in short supply. Where no employers are available, the government supports training programs in institutions.

A Job Development Program: a program to help the long-term unemployed find permanent jobs. It offers training and work experience with private sector employers to improve the labour market potential of the long-term unemployed. It combines wage subsidies with contributions to training and capital costs for up to 52 weeks.

A Community Futures Program: a program to help workers in specially designated declining communities. This program operates through a local Community Futures Committee, which provides "one stop shopping" for access to the whole range of options within the Canadian Jobs Strategy. These include: a $180-a-week self-employment incentive; a business development centre (similar to the former Local Employment Assistance and Development program) that will make loans to small business; the purchase of institutional training; relocation assistance; and a community initiatives fund which can be used to mount demonstration projects.

An Innovations Fund: a fund to be used for stimulating new ideas, pilot programs and experiments that will lead to jobs.

In addition to the above initiatives, the federal and provincial departments of employment and social welfare have been working together to improve coordination of job possibilities for those on social assistance. Recipients of social assistance have too often been denied access to employment and training programs because of severe restrictions on earnings and training allowances under the Canada Assistance Plan. The new federal-provincial initiatives will give them greater access to the range of programs in the Canadian Jobs Strategy.

which is aimed at the private sector. Private businesses cannot make it their primary objective to provide jobs and be fully oriented to the community – although many do so as part of their vision of good corporate citizenship. To survive, they must make a profit and remain competitive. Community businesses, on the other hand, may have as a primary objective the improvement of economic and social development and employment in the community. While they must be governed by sound business practices, they need some encouragement and assistance to support their objectives of maximizing employment.

Community businesses frequently require government financial support at the outset. That support could be provided from part of the funds released by the proposed phasing-out of regionally extended benefits. Community economic development is a legitimate form of business development. Experienced field officers may be needed to help communities establish economic development corporations or councils, but assistance should be provided in a way that encourages rather than destroys the community development process. As community economic development structures gain maturity, the federal government might help them make the transition to other sources of funding, perhaps through such vehicles as loan guarantees for private lenders, as is done in more traditional approaches to business development. To be most effective, these initiatives should involve all three levels of government. The fundamental principles of community economic development must be observed, however, and financial support should not have inappropriate strings attached.

The Community Futures part of the Canadian Jobs Strategy, described earlier in this chapter, appears on the surface to be much in keeping with these proposals. It may, however, be too limited geographically. The first Community Futures Committees are now being established and seem to cover an even smaller geographical territory than the former Local Economic Assistance and Development program. While community economic development must be supported in economically declining areas, there is a need for a funding mechanism to grant assistance to all communities. Unemployment is not restricted to a few declining communities; it is general. Moreover, certain aspects of the Community Futures program, such as its self-employment incentive, should be made readily available across Canada. France and Britain have successfully adopted a similar proposal (see box).

"Fostering the start-up and growth of local enterprises that are rooted in the community is the only hope for permanent employment in those regions of Canada currently enduring high unemployment levels. Furthermore, such policies seem far more humane and socially responsible than 'encouraging' migration out of the regions." (Canadian Federation of Independent Business, written brief)

"Based on certain experience of European communities in recent years, municipalities could begin to adopt local economic development programs that attempt to plan new types of industries in their communities, and attempt to ensure that investment is put to productive use, meeting both municipal and local needs and the long-term growth needs of the economy." (Social Planning Council of Metropolitan Toronto, Toronto hearings)

"We see the changes needing to be linked to job training and skill development programs to allow recipients to use the fund to start new ventures or something that is in fact economic activity for self- sufficiency or self-employment or new business opportunities." (National Council of YMCAs of Canada, written brief)

Recommendation

4 An industrial and regional development strategy should be designed with the following characteristics:

- A substantial proportion of regional and industrial assistance should be directed to new and to small businesses, including those in the non-manufacturing sector.
- Community economic development initiatives should be funded, at least in part, from funds released by phasing out regionally extended benefits. They should be undertaken in a manner that ensures local control and should be widely available to communities in Canada.
- Initiatives that assist the unemployed to start their own business enterprises should be encouraged.

Job Creation: The Best of Intentions

Since the 1930s, governments have established programs with the express purpose of creating jobs.[13] The "relief camp" or "job corps" approach grew out of the Great Depression. In the early 1950s, job creation reappeared in the form of the federally funded Winter Works program. The strong economic recovery of the 1960s made direct job creation a rarity, but from 1971 to 1979 a total of some $1.9 billion was spent on federal direct job creation programs. This total does not include tax expenditure programs and other measures designed to create employment in the private sector, such as training programs. About a quarter of a million person-years of employment were created, at an average cost of $7,500 per person-year. The major portion of the funds over these years, around $1.3 billion, supported short-term employment created through Canada Works-type programs. Roughly $350 million was spent on summer youth-oriented programs and only about $180 million on programs excluding Canada Works and summer programs with long-term objectives. A total of $945 million was spent in 1983/84, and program expenditures reached a peak in 1984/85 with total spending of $968 million.[14] Spending on Canada Works alone amounted to almost $600 million in 1984/85.[15]

Responsibility for these job creation programs has been shuffled among several government departments at different times, but in recent years it has rested with the Canada Employment and Immigration Commission. Job creation programs have come in all shapes and sizes, and have attempted to address a large number of specific problems. The programs have always been considered a "temporary" response to an unemployment crisis and funds have been continually reallocated to direct job creation, in spite of increasingly widespread recognition that these programs had little success. The program names and objectives changed constantly as staff in Ottawa and in the regions struggled to meet the needs of jobless Canadians. The most important programs have been the Local Initiatives Program and Canada Works. Both these programs have now been subsumed under the new Canadian Jobs Strategy (see box).

Until very recently, job creation projects have been used primarily to counterbalance high unemployment rates and economic depression in various regions. Newfoundland, for example, has relied increasingly on federal job creation projects to provide income. In many years, the money spent to create jobs in that province has almost equalled the federal contribution to social assistance benefits under the Canada Assistance Plan.[16]

Furthermore, job creation expenditures have increased dramatically without a parallel increase in the number of jobs created. These increased expenditures have not improved the employability of participants as an evaluation of Canada Works makes abundantly clear.[17] It found no significant impact on the long-term employability of participants, although there were some short-term benefits. In the longer term, for example, Canada Works had no discernible impact on either the wage rates or the incomes of participants. Furthermore, although

"I believe that short-term job creation is immoral. It is treating people like things. It is herding people through a shuttle bus of make work, UI, make work, UI, to avoid the welfare system. I think the approach lacks honesty, dignity, realism and basic human caring." (Pastoral Institute of Northern Ontario, Sudbury hearings)

"There can be long-term value in direct job creation if the jobs created are long term and if they pay adequate amounts. They allow community groups to hire people to do constructive and socially useful activities. They provide people with a means of income that allows them to purchase goods and services, and allows people the dignity of knowing they are using their talents to provide services the community determines are needed." (Saskatchewan Association on Human Rights, written brief)

"One of the things that we have observed is the number of sources of job creation funds. The UI program provides funds for this purpose; DRIE provides funds; the Province provides funds; the Department of Fisheries provides funds. All these pots are out there in various forms to do different things. One wonders how effective the overall culmination of these actions is." (Fredericton Anti-Poverty Organization, Fredericton hearings)

"Statistics show that this program area does not create jobs, because the jobs usually disappear when funds dry up." (Alberta Teachers' Association, Edmonton hearings) employment increased in length, so also did unemployment spells. While job creation initiatives may be evaluated internally, these evaluations are not publicly available. This seriously hampers the dissemination of good ideas. In contrast, most job creation projects in the United States have funds set aside for independent external evaluations and their publication. This approach should be instituted in Canada.

"Direct job creation programs have been expensive, poorly targetted and largely ineffective in remedying problems of disadvantage in the labour market." (David Berger, MP, Laurier, Ottawa hearings)

As early as the mid-1970s the Economic Council of Canada noted that almost all of the approximately 250,000 short-term jobs created through the Local Initiatives Program were subsequently terminated and the participants, originally drawn from the "hard-to-employ," returned to government income support, either Unemployment Insurance, social assistance, manpower training allowances, or combinations of these.[18] Thus, job creation programs simply added another link in the temporary labour market, but did not break down barriers to better-paying, more highly skilled jobs.

"Government make-work projects offer no long-term value. They are similar to extended UI benefits and work-sharing programs in that they provide only temporary solutions for Canada's unemployment problems. In addition they are very costly in both monetary and human terms." (Machinery and Equipment Manufacturers' Association, written brief)

There are three major problems with short-term job creation: the nature of the programs themselves; the intergovernmental difficulties that arise in coordinating federal, provincial and municipal efforts at the local level; and the fact that funds are allocated on a constituency basis.

Inherent in the very nature of short-term job creation programs is the fact that they are subject to changing federal priorities. The result is that it is virtually impossible to plan and commit funds for the longer term. This problem, compounded by inadequate knowledge of local conditions and the difficulties of coordinating projects that span the mandate of more than one department, hampers efforts to achieve success. Finally, there is the pervasive notion that job creation projects should be just that – discrete, easily identifiable projects with but a single goal. For a sponsor to suggest anything more complex is to court rejection of an application for funds.

"There is virtually no coordination or cooperation between programs, whether between governments or within the same jurisdiction. Threads of connection can be found between, for example, training and education, job placement and Unemployment Insurance, social assistance and other responsibility areas, but these threads are fragile and seem almost purposely hidden." (Community Service Employment Cooperative of Regina, Regina hearings)

The second major impediment to success is the lack of adequate coordination among the various levels of government. Over the years, short-term job creation programs like Local Initiatives and Canada Works have not only provided certain disadvantaged participants with jobs but have also provided services to the community. For example, several daycare centres were run under the Local Initiatives Program. The short-term programs met a need for these services and when the federal funding ran out, the other levels of government faced political pressure to continue providing services about which they had not been consulted, and which, in some cases, ran counter to established local priorities. This created problems and a degree of resentment that proved to be an obstacle in subsequent negotiations between the federal government and the provinces.

Over and over in the public hearings, the disbursement of job creation funds was described as "too political." In the Canada Works program, for example, funds were allocated on a constituency basis, based on the local level of unemployment. The higher the unemployment rate, the greater the amount allocated to job creation programs. Local advisory committees determined priorities within constituencies and the local Member of Parliament gave final approval for projects in various communities. The Member faced tremendous pressures from many constituents and groups, often with the result that a large number of projects with limited funding was approved, and the community was unable to undertake one really worthwhile project. The community hall received its seventh coat of paint in ten years but the community could not afford its operating costs. Since job creation programs are federally funded, the pressure on Members of Parliament increases when other employment alternatives are not available, and rises and falls with fluctuations in Canada's economic activity. In chronically depressed regions, with a disproportionate share of unemployment, pressure for continuing job creation or make-work programs is the norm.

"I just want to say that in 1982 when the Canadian government first came out with this temporary job creation program for UI recipients, I knew it wouldn't work. I just knew that people would not go back to work for an extra $100 a week. I have been proven wrong. I believe in particular the younger recipients of UI want work experience. There isn't regular work experience for them and this has proven to be of great benefit to them."(British Columbia Forest Products Ltd., Vancouver hearings)

In attempting to meet the objective of human resource development, programs to provide on-the-job training and work experience have been made available to those with employment disadvantages, those entering the labour force for the first time, and those re-entering the labour force after several years' absence. It is inappropriate to tie these programs to short-term job creation; they should be a permanent part of Canada's employment strategy. The participants should not, however, be a permanent part of the program. After a suitable training and job development period, they should be expected to enter public or private employment, which could include new jobs created through community economic development. The Canadian Jobs Strategy places responsibility for these special cases within two programs: Job Entry and Job Development. The program's exclusive reliance on the private sector may not be appropriate. Human resource development would be far more effective if its funds were directed primarily to community non-profit organizations that establish businesses to provide the participants with training and employment experience. Since the training and employment opportunities will need to be subsidized permanently, this type of development activity is more appropriate to the non-profit sector. Private sector enterprises, with the pressure of the bottom line, may find it difficult to provide much training to the disadvantaged unless they are given contracts for that purpose.

"We have tried to encourage young people to look at job creation in what I consider to be a truer sense, not job creation in the sense that we will have 20 weeks of employment to do something and then it will end and you will be able to go on UI; but to look at job creation in the sense of, is there an idea that you have that you could develop with some assistance? Youth are a little hard pressed to do that because of their lack of experience. But we are exploring some of those possibilities." (Metro Action Committee for Employment, Halifax hearings)

On occasion, direct job creation strategies have been aimed at creating more permanent jobs. The Local Employment Assistance and Development program was designed to help the long-term unemployed start their own businesses by providing three years of initial funding, after which the business had to support itself. The funds were given to specially established community corporations to help them deal with local economic problems, to finance community enterprises, to provide technical assistance and start-up funds to small businesses, and to assist in local infrastructure projects. This program differed markedly from contracyclical programs such as Local Initiatives and Canada Works in that federal funds were available for several years. The Nielsen Task Force, after reviewing job creation, training and employment services, recommended that the Local Employment Assistance and Development program be transferred to the Department of Regional Industrial Expansion and treated as a component of industrial policy.[19] That proposal raises some concerns. Programs of this type, with a community

"I think it is also important to understand that sometimes these short-term make-work projects do result in permanent employment. It does sustain a thing which I think is pretty strong in this province, among the people of this province, and that is the desire or the ethic to work. You can lose that if you are without work for very long."(Government of New Brunswick, Fredericton hearings)

focus, are quite different from those programs now administered by that department which are designed for the private sector.

The goal of industrial policy should be to make Canadian industry the best that it can be – to produce competitively the maximum of goods, services and therefore wealth for the nation. A strong position in international trade will provide the economic base to foster the growth of employment opportunities such as those in local businesses, in education and in social and health services. Investment in community economic development, however, holds promise as an alternative to traditional programs. As community economic development is a mix of economic/business development and social/public services, it requires a different orientation on the part of the federal bureaucracy – one that is more community oriented than the current program within the Department of Regional Industrial Expansion and more long term and business oriented than programs within the Canada Employment and Immigration Commission.

"The UI/JC program was an unquestionable success in various forestry regions in Canada. The program is clearly an excellent medium for dealing effectively with unemployment in the forest sector. The program exceeded its short-term employment objectives by 50 percent. The UI/JC program achieved its objectives by providing gainful employment for recipients of UI benefits, stabilizing work forces in communities with high unemployment levels, and accomplishing meaningful activities that will yield further long-term economic benefits for Canada. Its benefits to unemployed workers included valuable experience in forestry, the maintenance or improvement of skills, an income and a sense of fulfilment." (Canadian Forestry Service, written brief)

The Impact of Job Creation Programs and Unemployment Insurance on the Labour Market

Throughout the public hearings, participants expressed strong criticisms of such make-work jobs as cleaning up garbage along highways. The reaction was favourable, however, to jobs that provide long-term value to the community, such as reforestation projects.

Job creation programs are targetted to areas of high and continuing unemployment. As noted by the Macdonald Royal Commission, "A disproportionate share of unemployment is generated by Canada's seasonal industries, often concentrated in depressed regions, and by individuals with unstable work attachment in all industries and regions. For this reason the income-security problems of many Canadian workers are intimately tied to the seasonality of economic activity."[20]

"I am speaking for the native population. UI, like social assistance and job creation and in some sense like Canada Works, for some of the clients that I deal with, has created a dependency. People say 'I am going to get a job on a project and work for 10 or 20 weeks, or whatever you need for UI'. I find in a lot of people that that seems to become a mentality where they continually think that way." (New Brunswick Association of Métis and Non-Status Indians, Bathurst hearings)

The Macdonald Royal Commission cites a study of the effect of Unemployment Insurance provisions in Newfoundland and Alberta which indicates that, "if the 'generosity' of the program in high unemployment regions were extended to the whole of Canada, the extent of unemployment and short-term employment would increase significantly." It concluded "that the main differences in regional unemployment stem from the fact that individuals in regions of high unemployment rates experience many short periods of unemployment as compared to the other regions." This in turn led them to the view that the Unemployment Insurance program "reinforces the concentration of unstable and short-term jobs in regions with high unemployment and a heavy concentration of seasonal industries."[21]

The fact that unemployed persons may obtain as many as 42 weeks of Unemployment Insurance benefits after a 10-week attachment to the work force makes short-term job creation projects an attractive source of support to individuals and to the local economy. It may also retard migration from high unemployment regions to areas where jobs are available. Out-migration from high unemployment areas declined from 1971 onwards. While other factors may have contributed, the fact that this coincides with the inclusion of regionally extended benefits in the Unemployment Insurance program suggests that the availability of these benefits was a contributing factor.[22]

In addition, over the past 10 to 15 years, the Canada Works program has been used to qualify participants for Unemployment Insurance benefits, thus simply moving persons from one program to another. Long-term benefits from a short-term work attachment can lead to a cycle of dependency. The interaction of job creation programs and the Unemployment Insurance program may inhibit adjustment to changes in the labour market. This issue is dealt with more fully in Chapter 4.

Recommendation

5 Short-term job creation programs should be eliminated and the funds redirected to longer-term employment programs. These programs should:

- focus on jobs with a long-term value to the participant and community, rather than on short-term make-work jobs;
- eliminate the constituency basis of funding; and
- set aside a portion of program budgets for analysis by independent researchers to determine whether their objectives have been met. The results of these evaluations should be available to the public.

The Role of Unemployment Insurance in Job Creation: Projects under Section 38

Under the authority of Section 38 of the Unemployment Insurance Act, the Canada Employment and Immigration Commission may provide Unemployment Insurance benefits to participants in approved job creation projects for the duration of the program and up to six weeks after the project ends. The private employer in charge of the project can top up the benefits so that workers are paid at the going rate for the type of work undertaken. Unemployment Insurance recipients are under no obligation to accept work on these projects and are not disqualified if they refuse. Work on a Section 38 project is not considered insurable employment. The purpose of Section 38 is to extend the benefit period and provide some additional income above Unemployment Insurance benefits.

Section 38 projects are only a small part of job creation funding and totalled only $60 million in 1984/85. Funding for extended benefits for participants on Section 38 projects is from general government revenue. Although some excellent projects funded under Section 38 provide meaningful work for those who are skilled and unemployed, there are a number of problems. The different rules, regulations and reporting requirements governing Section 38 projects may require a management group to help persons apply for and administer funds. Funding is short term, permitting only short-term planning. Artificial deadlines are set for completion of the project and no overtime is allowed. Personnel must be replaced at the end of their Section 38 funding and new personnel must be trained. Finally, many view this program as a wage subsidy that benefits the employer who can hire subsidized workers rather than paying the going rate. The problems faced by the claimant are illustrated in the profile which follows this chapter.

The most significant problem with Section 38 is that the use of Unemployment Insurance funds for job creation is not appropriate for an insurance program, no matter how worthy or successful a project may be. These projects should be funded directly by the federal government and should be available to all citizens, but not through Unemployment Insurance and not restricted to recipients of Unemployment Insurance benefits. Not only would this arrangement protect the integrity of the Unemployment Insurance program, but it would make these funds available to a wider group of the unemployed. In many cases, those who have exhausted their benefits might well be more in need of that assistance than those still receiving them.

Although some worthwhile projects are funded under Section 38, the balance of the arguments suggests that job creation funds should not be channelled through Unemployment Insurance.

"We've dealt with Section 38 here in Hamilton to a great degree. We found that the program is not working, cannot work in our industry, and imposes all kinds of injustices on workers. For the most part we were forced into positions of working under that program by virtue of a contractor being a part of that program, in his bidding for the project that he goes on to from it." (Hamilton–Brantford, Ontario Building and Construction Trades Council, Hamilton hearings)

"NUPGE does not accept the use of unemployment job creation funds to disguise the phasing-out of valuable public services which result in the loss of jobs to our members." (National Union of Provincial Government Employees, written brief)

"The use of these programs was to get work done at a cheaper cost at the expense of the construction tradesmen, who were . . . used as a stopgap to give the impression that you were putting a lot of people to work where, in effect, they were putting people to work at a lower rate and subsidizing the people who would be getting the work done anyway." (Essex and Kent Counties Building and Construction Trades Council, Windsor hearings)

"We feel that the best use of UI funds is to maximize a person's opportunities to obtain permanent employment, and the jobs created under Section 38 do not serve this purpose." (Canadian Bankers' Association, Toronto hearings)

Recommendation

6 Section 38 (Job Creation) of the Unemployment Insurance Act should be rescinded.

Summary and Conclusions

"We need jobs, not UI!" was a slogan heard often at the public hearings. Certainly no blueprint for Unemployment Insurance, or any other social program, can be satisfactory unless it takes into account the fact that, generally, Canadians want to work.

Is full employment a reasonable objective? Can it be translated into an operational policy? The issues at the heart of the debate include the impact of fiscal and monetary policies on investment, productivity and employment; the interdependence of the Canadian economy with those of other countries; the relationship between inflation and unemployment; and the influence of expectations regarding wages and prices. The problem of entering the debate is that it tends to become theoretical and to focus on identifying the most acceptable level of the measured unemployment rate, rather than seeking practical ways to reduce the current level. Bringing unemployment down even a few percentage points would have a significant beneficial effect.

Economic growth is the engine that generates employment opportunities. The objective of full employment is implicit in the discussion of employment growth and job creation, but this objective cannot be defined as reducing the unemployment rate to a specific percentage. Rather it is to reduce the overall problems resulting from the present imbalance between supply and demand in the Canadian labour market.

This chapter has considered the prospects for employment growth. Canada must take immediate steps to put in place the ingredients essential for bringing about "full employment." This includes planning for economic growth and sound macroeconomic management of the economy. It also includes trying new approaches, such as the increased participation of workers in profit sharing. It will entail some wrenching shifts in program priorities, attitudes and assumptions.

Parallel with steps to promote economic growth, a community economic development strategy is needed to give people control of their own destiny. The needs of communities and individuals can more easily be met at the local level, and there are promising new developments taking place in communities where Canadians have decided to take their futures into their own hands. These people should be given support and encouragement, and government assistance should be carefully designed in order not to control or stifle their initiative.

For years, the federal government has, with the best of intentions, tried to reduce unemployment and to help individuals and communities by creating short-term jobs on make-work projects and programs run from Ottawa. It has not changed anything in the long run, except to create dependency. All short-term direct job creation efforts should be dropped in favour of an employment and community economic development strategy. The Unemployment Insurance program is not an appropriate vehicle for the delivery of job creation policies. All of the

"The UI program should no longer be used as an ad hoc means of solving any type of labour market adjustment problem. Separate and distinct government programs should be developed for such purposes as that of job creation and retention, training and retraining, mobility, and work sharing. The government should . . . immediately concentrate its efforts on a massive job creation program to help reduce all forms of unemployment, and stop using UI reform as one of the tools of artificial unemployment reduction." (Vancouver and District Labour Council, Vancouver hearings)

"Some of these job creation programs pay up to 85 percent of salaries. Why would employers pay full salary when they can get workers and pay only 15 percent of their salary? We have watched many of our unemployed workers going through these job creation projects. The majority always end up back at square one – no job." (Unemployment Help Centre, Kingston, Ottawa hearings) unemployed, and not just those unemployed workers who qualify for Unemployment Insurance, should have access to these programs. Furthermore, the inclusion of job creation within the Unemployment Insurance program – even though it is funded by general revenues – distorts the perceptions that the public has of the program.

The employment development strategy proposed in this chapter is a marked departure from the past. The policy of valuing job creation above all other considerations has not served us well. In future, regional and industrial economic development funds should be concentrated on the development of entrepreneurs and on the promotion of competitive enterprises. In the long run, that approach will create more lasting jobs.

Notes

1 Grady Economics & Associates Ltd., "Full Employment," research study prepared for the Commission of Inquiry on Unemployment Insurance, 1986 (unpublished).

2 Organisation for Economic Co-operation and Development, *OECD Employment Outlook* (Paris: OECD, 1985), p. 125.

3 Ibid.

4 Grady Economics & Associates Ltd., "Full Employment."

5 Monica Townson, "The Segmentation of Labour Markets," research study prepared for the Commission of Inquiry on Unemployment Insurance, 1986 (unpublished).

6 M. L. Weitzman, "Profit Sharing as an Antidote for Canadian Unemployment," research study prepared for the Commission of Inquiry on Unemployment Insurance, 1986 (unpublished).

7 Ibid.

8 Canada, Department of Regional Industrial Expansion, *Industrial and Regional Development Program Annual Report 1984–1985* (Ottawa: Minister of Supply and Services Canada, 1985), Tables 4, 9.

9 Canada, Task Force on Program Review (Nielsen Task Force), *Services and Subsidies to Business* (Ottawa: Minister of Supply and Services Canada, 1986), p. 107.

10 Many communities need to repair and replace existing infrastructures. This work is labour intensive and can create many worthwhile jobs. A recent study by the Federation of Canadian Municipalities suggested that investing $12 billion over a five-year period would create 45,000 to 60,000 jobs per year (*Municipal Infrastructure in Canada*, Ottawa: The Federation, 1985).

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12 Lionel Orlikow, "Municipal Government in Job Creation: The Case of Winnipeg," paper presented at the Symposium on Policies for Full Employment, Ottawa, November 29, 1985; and Matthew Kiernan, "Coordination for the City Core," *Policy Options* 6 (September 1985), pp. 23–25.

13 Economic Council of Canada, *In Short Supply: Jobs and Skills in the 1980s* (Ottawa: Minister of Supply and Services Canada, 1982), p. 3.

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21 Ibid., p. 606.

22 Ibid., pp. 609–10.

Serge Martineau, Audio-Visual Communications Specialist, Montréal, Quebec

Mr. Martineau discusses the inequities of wage subsidies and the dead-end nature of many job creation programs.

After I got my bachelor's degree in communications, I was lucky enough to get a one-year contract as a radio producer right away. Unfortunately, after six months my job ended because of budget cuts and I ended up on Unemployment Insurance. At first, in spite of everything, I was still euphoric about having found a job so soon after finishing school. I thought it wouldn't take me long to find another. I lost my illusions when I tried to get grants from public cultural organizations to produce broadcasts with my own radio equipment . . . For me, Unemployment Insurance represented a temporary stage before finding another job in communications. I gradually became less optimistic and began to realize that it might be difficult to find work in my profession as a producer.

One day, out of the blue, the Employment Centre for Professionals and Executives suggested I apply for an unskilled job as a technical assistant in electrotechnology in a local NEED[a] project. That meant going from being a producer, supervising technicians, to being their errand boy.

In spite of everything I accepted the job, with the idea that I could find a way to carve out a place for myself in the company. But, even if there had been a position open, it wouldn't have done any good since, according to the personnel manager, the company hardly ever recruited from the outside when a position became vacant and my experience on the NEED project didn't count. The job lasted six months. After that, I took courses, worked for a community radio station and worked in various temporary help jobs. At present, I am a housecleaner.

What about the future? . . . I am eligible for loans and bursaries and I'm going back to school to study management-data processing.

I still resent the way Employment and Immigration treated me. You see, the job they found me paid less than the going rate. I was paid $210 a week, $71 less than other employees performing the same duties. Why? . . . Simply because the others were regular employees and I was hired temporarily through the NEED program sponsored by Employment and Immigration Canada. This program in fact helped the employer to lower wages for other employees . . . Another participant in the NEED project was a former employee who could get his contract renewed only under the NEED program, and so earned $71 a week less than he got before.

You might say it's better to earn $210 a week than to be on UI . . . and in theory, it is. However, when benefits amount to $218 a week, there isn't much incentive to go to work for wages of $210. In fact, the loss is greater than $8 since more deductions are taken off wages than off Unemployment Insurance benefits, and that's not counting work-related expenses like clothing, transportation and food.

Employment and Immigration Canada should be better managed, with more coordination between job creation and Unemployment Insurance programs. They should work it out so that a claimant who goes back to work and stops receiving benefits doesn't have his income reduced, as I did.

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a National Employment Expansion and Development program.

Belinda McLean, Nova Scotia

Ms. McLean expresses the anxiety of unskilled workers who cannot find and hold a steady job. She is like many who are at high risk of being unemployed for much of their lives.

I had my son when I was 17. I couldn't get welfare until I was 19, so we lived with my mother until I finished high school. I'm 20 now and I have a one-bedroom apartment in a block with a lot of other single mothers on welfare.

I'd like to get off assistance. It's terrible. All of us are afraid to ask any questions, because whenever somebody does they get cut off. Your word means nothing. If they say you have a man, you do, and they cut you off.

I've never been on Unemployment Insurance because every time I do get a job it doesn't last long enough for me to qualify.

The last time I worked was when I went through the program at the Y. They were really good. They placed me at the hospital for a few weeks. I was really happy because if I could, I'd really like to go back to university and become a nurse . . . But then it became a problem because I got paid on this program, and somebody called assistance and told them I was working. They cut my cheques right away, and when the program ended, I had no income for a month until it was straightened out. Now I have to pay them back, and they take twenty dollars off every cheque.

I was really scared when that happened, because I didn't know how I was going to feed my son and pay my rent. My friends each lent me a little.

The Y program made me feel like I could do something . . . But it's not easy. I ask my friends to save the want ads for me, because I can't afford to buy a newspaper every day. I am determined not to spend my life on assistance . . . That's not what I want for my son.

Chapter 4

Money: The Need for Income Security

Introduction

Unemployment Insurance occupies a unique position. It stands at the boundary between economic and social policy. This chapter considers the relationship between Unemployment Insurance and other income security programs and analyzes the strengths and weaknesses of the income security system in Canada. In the process a clearer picture of the role of Unemployment Insurance in that system is developed. Questions are raised about the level and nature of the income protection that Unemployment Insurance should provide to workers and how the program relates to other elements of the income security system.

Thus this chapter deals with such questions as:

- How much money does an unemployed worker need?
- What proportion of income should an insurance program replace?
- How adequate is the protection provided by Unemployment Insurance for workers earning minimum wages?
- Should Unemployment Insurance supplement the incomes of short-term or seasonal workers?
- What is and what should be the relationship between Unemployment Insurance and social assistance programs?
- What role should Unemployment Insurance play within the income security system?

This chapter begins by describing the current income security system, the complex income transfer role played by the Unemployment Insurance program, and the problems resulting from that role, leading to discussion of the need for an income supplementation plan.

The Income Security System

Income security programs in Canada can be divided into three distinct categories or tiers. Tier 1 consists of ***income support programs*** (such as social assistance and the Guaranteed Income Supplement). Tier 2 includes ***income supplementation programs*** (such as Old Age Security, Family Allowances, the Child Tax Credit and programs operated by certain provincial governments). Tier 3 consists of ***social insurance programs*** (such as Unemployment Insurance, the Canada and Quebec Pension Plans, and Workers' Compensation). Although Unemployment Insurance is listed in Tier 3, it is argued later in this chapter that the regionally extended benefits portion of Unemployment Insurance is a form of income supplementation.

In Canada, the system of programs for the elderly illustrates this three-level structure of income security. Tier 1 (income support) is the Guaranteed Income Supplement, which provides benefits on an income-tested basis to elderly persons whose other resources are inadequate. Tier 2 (income supplementation) is Old Age Security, which provides a taxable benefit based on age. Tier 3 (social insurance) consists of the Canada and Quebec Pension Plans, which provide benefits based on past premium contributions. In addition, the tax system provides an age exemption for the elderly.

In total, both direct program expenditures and related tax assistance for income security will account for some $58 billion of government spending for 1986/87. Figures 4.1 and 4.2 show the direct program expenditures according to the three categories of income security, as well as the related tax assistance.

The distribution of public funds through all income security programs in Canada reflects a heavy preference for the aged. The Guaranteed Income Supplement, Old Age Security benefits, Canada and Quebec Pension Plan benefits, the tax exemptions for age and pension income, the tax assistance related to registered retirement savings plans and registered pension plans, as well as CPP/QPP contributions all testify to the high priority given to this group. By contrast, the benefits aimed at those still in the labour force are much more modest and are dominated by Unemployment Insurance.[1] Furthermore, Unemployment Insurance is the single largest income security program and represents almost 20 percent of total expenditures on income security (including tax assistance).

Figure 4.1

Federal and Provincial Expenditures on Income Security, 1984/85

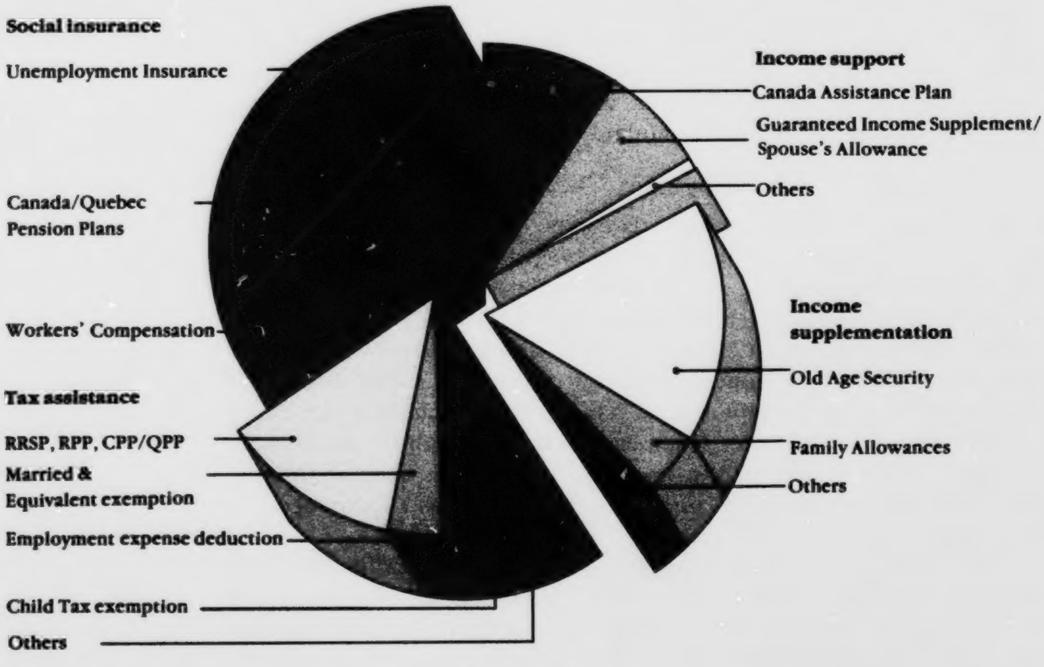


Figure 4.2

Federal and Provincial Expenditures for Income Security, 1986–87

Tier	Category	Objective	Principles	Program	Federal and provincial cost ($ millions)	Percent of total
Tier 1	Income support (social assistance)	Financial assistance: to prevent absolute hardship	Paid according to needs test or income test; financed by general revenues (both federal and provincial); family based.	Canada Assistance Plan	5,400	9.3%
				Guaranteed Income Supplement/ Spouse's Allowance	4,200	7.2%
				Veterans' Allowances	400	0.7%
				Social assistance to on-reserve Indians	100	0.2%
					10,100	17.3%
Tier 2	Income supplement	Income supplementation: to top up inadequate income or to provide money to particular groups (the elderly and children)	Financed by general revenues (both federal and provincial); usually family based	Old Age Security	9,500	16.3%
				Family Allowances	2,500	4.3%
				Child Tax Credit	1,600	2.7%
				Provincial programs	100	0.2%
					13,700	23.5%
Tier 3	Social Insurance	Income stabilization: to prevent an excessive fall of income	Paid upon contingency; financed by premium contribution,[a] individually based.	Unemployment Insurance	10,200	17.5%
				Canada/Quebec Pension Plans	7,900	13.6%
				Workers' Compensation	2,000	3.4%
					20,100	34.5%
	Tax assistance			Child Care Expense deduction	200	0.3%
				Child Tax exemption	1,300	2.2%
				Married and Equivalent exemption	1,900	3.3%
				Employment expense deduction	1,500	2.6%
				Provincial tax credits	200	0.3%
				Unemployment Insurance premium deduction	900	1.5%
				Registered Retirement Savings Plans; Registered Pension Plans; Canada/Quebec Pension Plan deductions	7,500	12.9%
				Age exemption	700	1.2%
				Pension deduction	200	0.3%
					14,400	24.7%
	Total				58,300	100.0%

[a] Regionally extended benefits of Unemployment Insurance are currently financed by general revenues and serve as a form of income supplementation (see chapter text).

Sources: Estimates based on Department of Finance, *Cost of Selected Tax Measures* (Ottawa: Minister of Supply and Services Canada, 1985); Government of Canada, *1986–87 Estimates; Part II: The Main Estimates* (Ottawa: Minister of Supply and Services Canada, 1986); Department of National Health and Welfare, *Social Security Statistics, Canada and Provinces, 1958–59 to 1982–83* (Ottawa: The Department, September 1985); and data supplied by the Department of National Health and Welfare and the Department of Finance.

"No jurisdiction in Canada provides welfare benefits even close to the poverty line. The trauma and humiliation experienced by many claimants of UI is nothing compared to the stigma that is attached to welfare recipients." (National Anti-Poverty Organization, written brief)

"We do not deny the need for social assistance measures. However, we strongly believe that costs associated with them should be borne by the society as a whole through general government revenues. The cost burden should not fall overwhelmingly on employers and employees alone." (Corner Brook Chamber of Commerce, written brief)

"Local governments, and social services departments in particular, experience the impact that unemployment creates. For instance, this department has experienced a 214 percent growth in the welfare caseload between 1975–1985. The distribution of 'employables' (those who are able to seek employment) and 'unemployables' (those who, for medical or other reasons, are unable to look for employment) has changed dramatically over the past 10 years. For instance, in 1975 'employables' constituted 24 percent of the average monthly caseload whereas 'unemployables' constituted 76 percent of the caseload. By 1985, 'employables' constituted 66 percent of the caseload, compared to 34 percent for 'unemployables'." (Regional Municipality of Ottawa–Carleton, written brief)

In order to explain the role that Unemployment Insurance now plays in the overall income security system, the goals and programs in each of the three levels of income security are described, beginning with the first tier, social assistance.

Income Support: Social Assistance

Social assistance is the income support program designed to provide income to individuals and families who are unable to obtain adequate income from employment, from the marketplace, or from private resources.

For individuals and households with little or no access to earnings or private income – such as elderly persons without adequate pension coverage, persons who cannot work because they are chronically ill or disabled, and single parents with preschool children – income support payments are the last line of defence. In addition to social assistance, other selective programs such as the Guaranteed Income Supplement, Spouse's Allowance, and Veterans' Allowances provide basic income support. Eligibility for benefits from these selective programs is determined by either a needs test or an income test (see box).

Social assistance programs are operated by the provinces and cost-shared under the Canada Assistance Plan with the federal government, on a 50:50 basis. The guidelines for the cost-sharing agreement have remained relatively unchanged since the plan's introduction in 1966. These federal guidelines currently specify that, above an exemption, employment income reduces social assistance benefits dollar for dollar. As a result there is little financial incentive to work, since working beyond that exemption level does not increase total income.

Increasing numbers of Canadians are being forced to rely on social assistance (see Figures 4.3 and 4.4). Over the period 1981–85, the number of social assistance recipients increased in all provinces except the Atlantic provinces. The increase for Canada as a whole was 34 percent, from 1.4 million people in 1981 to 1.9 million in 1985. In British Columbia the number of social assistance recipients almost doubled in only four years. This has made it increasingly difficult for governments to raise or even maintain the existing levels of support.

Needs, Means and Income Tests

Needs Test (Budget Deficit Test)

A needs test determines eligibility for benefits by comparing budgetary requirements to income and assets. Assistance is granted to cover any deficit that exists. Budgetary requirements usually include food, shelter, clothing, fuel, utilities, household supplies and personal requirements. These are determined on the basis of either rate scales related to studies of budgetary needs or actual costs to the claimant. Income and assets are taken into account subject to stated exemptions, with assets in excess of a fixed amount constituting a disqualification for assistance.

Means Test

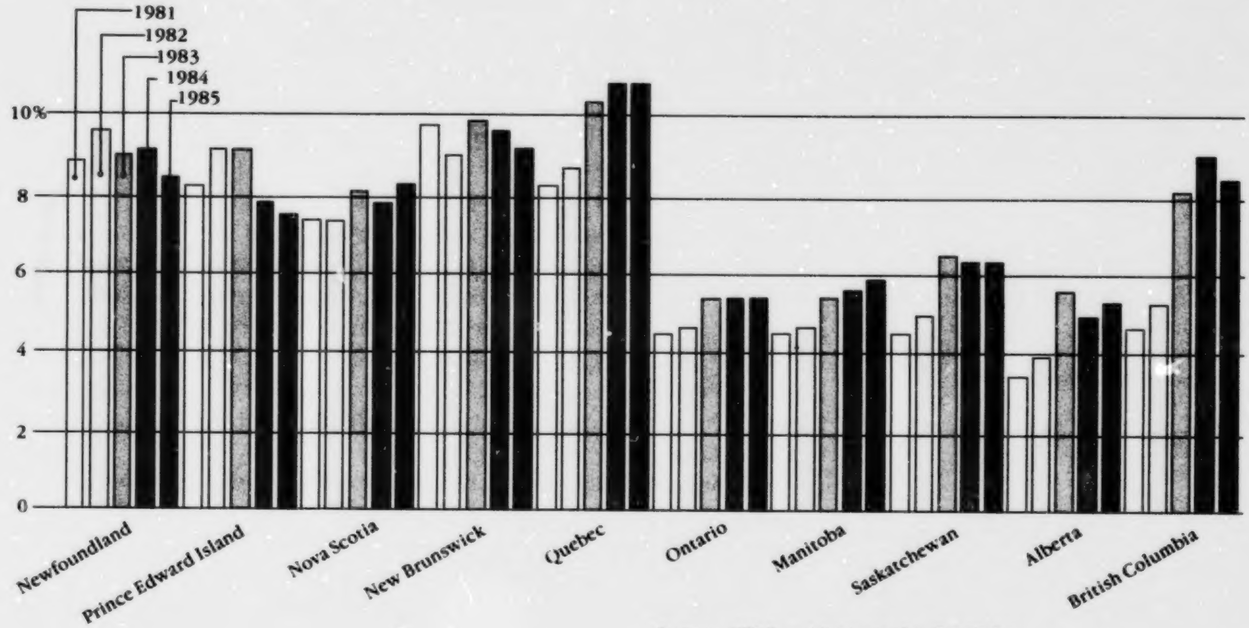
A means test takes into account both the income and assets of a claimant in determining eligibility. Assets may be converted to income equivalents or may constitute an automatic limit on eligibility if they exceed a fixed amount. Benefits are paid up to a fixed ceiling, with no account being taken of budgetary requirements.

Income Test

An income test to determine eligibility takes into account only the income available to a claimant. No account is taken of any assets except insofar as they produce income. Similarly, no account is taken of the claimant's budgetary requirements.

Figure 4.3

Percentage of Population on Social Assistance, March 1981 to March 1985



Sources 1981-84 social assistance data David P. Ross, *Report on the Income Security System in Newfoundland*, prepared for the Newfoundland Royal Commission on Employment and Unemployment (St John's Queen's Printer, 1986), 1985 social assistance data unpublished data provided by the Department of National Health and Welfare, population data Statistics Canada, *Canadian Statistical Review* (Cat no 11-003), various issues

Figure 4.4

Estimated Number of Social Assistance Recipients Under the Canada Assistance Plan, March 1981 to March 1985

	March 1981	March 1982	March 1983	March 1984	March 1985	Change 1981–85
Newfoundland	50,400	54,700	51,900	53,300	49,000	–3%
Prince Edward Island	10,100	11,300	11,300	9,800	9,600	–5%
Nova Scotia	62,400	64,600	69,000	67,500	73,100	17%
New Brunswick	67,400	62,700	70,100	68,600	66,300	–2%
Quebec	532,900	561,900	675,800	705,900	708,700	33%
Ontario	389,800	406,800	471,200	484,600	486,300	25%
Manitoba	46,900	47,800	55,900	59,200	62,800	34%
Saskatchewan	43,800	48,400	59,700	63,700	64,000	46%
Alberta	78,100	91,700	130,600	117,100	122,500	57%
British Columbia	128,000	144,900	228,800	257,100	243,500	90%
Canada	1,418,400	1,502,800	1,832,900	1,894,900	1,894,500	34%

Note: Canada total includes the Yukon and Northwest Territories.

Sources: 1981–84 data: David P. Ross, *Report on the Income Security System in Newfoundland*, prepared for the Newfoundland Royal Commission on Employment and Unemployment (St. John's: Queen's Printer, 1986); 1985 data: unpublished data provided by the Department of National Health and Welfare.

"We don't believe that UI should be a convenient cover for social or welfare programs. Not that we do not need social or welfare programs – Lord knows we do. We think they should be identified more up front for what they are, and addressed as such, debated as such. If we decide that's what we want, need and can afford, then fund them as such." (Greater Moncton Chamber of Commerce, Moncton hearings)

"I work in an agency that started a food bank last month. And this month we served 200 families; 30 of these families were on Unemployment Insurance or waiting for it." (Etobicoke Advisory Committee on Unemployment, Toronto hearings)

Originally, social assistance was not intended for employable persons. The rising number of employable individuals who are receiving social assistance accounts for much of the increase in the number of social assistance recipients over the past decade. There is also great variation among the provinces in the benefits provided to young people (Figure 4.5). If they are considered "employable," they may be ineligible for social assistance. In most provinces they receive very small benefits even if they are eligible. As a result, although Unemployment Insurance is not an appropriate vehicle to supplement incomes, in some provinces it may be the only source of help for young people.

The Nielsen Task Force and the Macdonald Royal Commission echoed longstanding complaints of various community groups that social assistance benefits are inadequate and vary too much across the provinces. In 1985, for example, long-term assistance for a family of four varied from a high of $13,080 a year in Saskatchewan to a low of $8,052 in New Brunswick. Even the Saskatchewan rate falls far short of Statistics Canada's low-income or "poverty" line income of $15,316 for a family of four in rural areas.

At present, because Unemployment Insurance benefits are subtracted dollar for dollar from social assistance payments, they provide no additional benefits to recipients of social assistance. Earnings from employment, in contrast, are subject to an exemption before welfare payments are reduced. In the calculation of social assistance entitlements, Unemployment Insurance benefits earned through paid employment and financed by premiums should be treated the same way as the earnings that they replace. That would allow individuals to retain at least part of their earned entitlements to Unemployment Insurance

Figure 4.5

Maximum Monthly and Annual Benefits of Single Persons and Families on Long-Term Social Assistance, by Province, 1985

(Dollars)

	Single person, age 25, employable		Single person, disabled		One adult, child age 4		Two adults, children age 10 and 13	
	Monthly benefit	Annual benefit	Monthly benefit	Annual benefit	Monthly benefit	Annual benefit	Monthly benefit	Annual benefit
Newfoundland	275	3,300	436	5,232	689	8,268	797	9,564
Prince Edward Island	471	5,652	511	6,132	592	7,104	848	10,176
Nova Scotia	366	4,392	539	6,468	659	7,908	919	11,028
New Brunswick	188	2,256	405	4,860	609	7,308	671	8,052
Quebec	160	1,920	440	5,280	655	7,860	929	11,148
Ontario	368	4,416	519	6,228	647	7,764	762	9,144
Manitoba	353	4,236	414	4,968	579	6,948	931	11,172
Saskatchewan	345	4,140	530	6,360	750	9,000	1,090	13,080
Alberta	484	5,808	695	8,340	719	8,628	1,082	12,984
British Columbia	375	4,500	548	6,576	640	7,680	870	10,440

Source: Social Planning Council of Metropolitan Toronto, *Social Infopac* 3:4 (October 1985), p. 3.

even if they have to fall back on social assistance. There is also merit in considering lowering the rate at which earnings reduce social assistance payments.

Since social assistance programs were not designed for employable persons, provincial social service departments have generally not developed employment assistance or training services, although some other provincial departments have done so. Unemployment Insurance officials and the Canada Employment and Immigration Commission have been the major actors in dealing with the unemployed. Once workers lose their entitlement to Unemployment Insurance, they lose contact with the official employment and training system.

Maintaining employable persons in a permanent state of dependency is counter-productive. While a basic income should be provided to all Canadians to prevent severe hardship, those who are willing and able to work require other forms of help. All the unemployed, including those on social assistance, should receive these services through the same offices (see Chapter 8).

"The Chamber of Commerce of Québec recommends therefore that the current UI program be replaced by more selective programs which assist persons living in poverty; and that the administration and financing of these programs be the responsibility of provincial or local governments." (Chambre de commerce du Québec, written brief)

"The current depression in the Newfoundland economy has witnessed an alarming increase in the number of 'exhaustees' – UI recipients who have used up their weeks of benefit and have no prospect of employment. For many of these workers UI failed to bridge the gap between jobs and they were forced – many for the first time in their lives – to rely on welfare." (Newfoundland and Labrador Federation of Labour, written brief)

Income Supplementation

It cannot be assumed that all working members of the labour force have adequate incomes. In 1984, 55 percent of all poor families had at least one member at work over some time during the year. In almost half of them, one person worked for the full year but the family was still poor. This phenomemon has been increasing over the last decade. In 1976, only 46 percent of poor families had some income from employment.[2]

Income support and supplementation were the focus of intensive federal-provincial study and discussion in the period 1973–76. The original impetus of that unprecedented effort to reshape the entire social security system in Canada was the hope that a single comprehensive Guaranteed Annual Income could provide an adequate answer to the need for both income support for those unable to work and income supplementation for the working poor. The difficulties inherent in that ambitious task proved insurmountable. Although the effort resulted in significant, if piecemeal, changes, its major objective was subsequently abandoned.

Programs that provide a financial supplement to those who are employed have received some attention and several developments have taken place. The Child Tax Credit, introduced in 1979, currently provides up to $384 per child for families with incomes below $26,330. Above this family income level, benefits are reduced by $5 for every $100 of income, with the result that benefits for a family with two children cease at $41,690. In February 1986 the federal Refundable Sales Tax Credit was introduced. It provides up to $50 for each adult and $25 for each child under 18 as long as family income is less than $16,000. Above this income level, benefits are reduced by $5 for every $100 of income. Thus, a family of two adults and two children with an income of up to $16,000 would receive $150 and benefits would cease at $19,000.

In addition to these federal benefits, four provinces have their own supplementation programs. Saskatchewan's Family Income Plan provides allowances based on family income and number of children.

"Canada needs an income protection system that is as much a motivator for people to engage in productive work as it is a safety net for those people who cannot generate an equitable level of income in their lives." (Government of Prince Edward Island, Charlottetown hearings)

The maximum benefit, payable to families with annual incomes of less than $8,200, is $100 monthly for each of the first three children and $90 for each additional child. For incomes above that level, the maximum allowance is reduced by one dollar for every two dollars of income. In 1984/85, program expenditures totalled $19 million and 7,767 families were assisted. About half of the costs are eligible for cost sharing under the Canada Assistance Plan.[3]

Manitoba also has a Child-Related Income Supplementation Program. The maximum benefit is $30 a month for each child, payable to families with incomes below $10,025 (1985/86). Above this income level, the maximum benefit is reduced by one dollar for every four dollars of income. In 1984/85, total benefit expenditure was $6.1 million, and almost 9,000 families received some assistance.[4]

The Quebec program is the Work Income Supplement program. Under that scheme, each dollar earned increases the benefits by 25 cents up to an earnings ceiling adjusted for family size. In 1985, the maximum supplement for a family of four was $2,193, paid out at an earnings ceiling of $8,772. Above that level of earnings, benefits were gradually reduced. The Quebec scheme is designed to provide a work incentive for those on social assistance and to be a supplement for those with low earnings who might otherwise need social assistance. The program is not eligible for federal cost sharing, and in 1984/85 cost the province approximately $25.1 million.[5]

Ontario's Work Incentive Program is available to persons who have been on social assistance for at least three months. It pays benefits if recipients take full-time employment; these benefits vary by family size and take into account family income. Benefits are reduced by one dollar for each two dollars of income in excess of $675 a month. In addition, recipients retain their eligiblity for such benefits as free dental care and medical prescriptions, which were available to them on social assistance. Total expenditures in 1984/85 were about $2.6 million.[6]

In addition to these federal and provincial programs, Old Age Security payments, Family Allowances and many tax expenditures contribute to income supplementation. As will be discussed, the regionally extended benefits portion of Unemployment Insurance should be added to this list.

These supplementation programs make no explicit attempt to bring the incomes of recipients up to any precise level. The most that can be said is that they attempt to minimize (but not necessarily to eliminate) the severity of the effect of inadequate income. Family Allowances, for instance, are not designed to provide 100 percent or 80 percent or any other precise share of the average cost of raising a child, but are based on the recognition that families incur expenses in raising children and that society should provide "some" contribution toward these expenses. While social insurance programs seek to replace a given proportion of past income and while income support programs seek to provide a socially acceptable minimum income, programs that supplement other income have no such clearly articulated objective. Some benefits, in particular the child and married or equivalent to married tax exemptions, are greater for those with higher incomes.

Social Insurance Programs

Social insurance programs by their nature provide protection against specific occurrences. Premiums are collected and contributors are entitled to benefits when certain contingencies occur. In Canada, there is a broad range of social insurance programs, including the Canada and Quebec Pension Plans, Workers' Compensation, and of course Unemployment Insurance.

The objective of social insurance is to provide income replacement in order to maintain some measure of income when individuals face contingencies such as unemployment, sickness, accidents or retirement. Because benefits are triggered by these contingencies and because they are funded by premiums, social insurance programs confer a sense of entitlement to benefits. Furthermore, the level of benefits received is related to the nature of the loss, not to the needs of the recipient, and consequently social insurance benefits are received by workers at all income levels.

Workers' Compensation, for example, provides assistance to those who are unable to work because of work-related illness or incapacity. It is a provincial program funded entirely from employer contributions. In every province, workers (or their survivors) may receive financial compensation for permanent and temporary disability or death if the cause is related to the job. The program also pays medical and vocational rehabilitation expenses for workers requiring these services. Both permanent and partial disability benefits are based on earnings. In Newfoundland, New Brunswick, Quebec and Alberta, payments are set at 90 percent of net income. In all other provinces, payment is set at 75 percent of gross earnings. The actual amount of benefits received in the case of a particular disability varies and depends upon the amount of income that the disabled worker is still capable of earning. Pensions and/or lump-sum payments to the spouses and children of deceased workers also vary by province.

The Canada and Quebec Pension Plans are the second largest component of social insurance in Canada. The Canada Pension Plan was introduced in 1966 and has been fully operational since 1976. It provides retirement, survivor and disability benefits on a universal basis for members of the paid labour force, including the self-employed. The federal government administers the plan but the provinces are responsible for its design. The Quebec Pension Plan provides similar benefits. At present the major difference between the two is that the Quebec plan provides actuarially adjusted benefits, which allow individuals more flexibility in deciding when to retire. The Canada Pension Plan is being amended to do the same. Retirement pensions are 25 percent of lifetime earnings up to an earnings maximum that is approximately equal to the average industrial wage. In 1986, the maximum retirement pension under the Canada Pension Plan was $455.64 monthly ($5,658 annually) and the maximum survivor's pension was $291.67 ($3,400 annually). These benefits do not affect Old Age Security benefits but are considered as income in calculating the Guaranteed Income Supplement and Spouse's Allowance.

"We see the purpose of the UI program as providing a certain level of income support to cover temporary interruptions in earnings for those individuals who have a genuine attachment to the work force." (Canadian Bankers' Association, written brief)

"The UI program is designed to provide workers with earnings-related benefits in the event of unemployment; it is not designed to provide all Canadians with a minimum level of income; nor is UI designed to redistribute incomes on a vertical basis. The risk associated with unemployment is not simply the risk of deprivation in an absolute sense; it is the risk of losing the standard of living that has been established on the basis of pre-unemployment earnings. This risk remains unaltered no matter how many earners there are in a family." (Canadian Labour Congress, written brief)

"Like any other insurance plan, Unemployment Insurance was, and is, intended to deal with contingencies and not certainties. The UI program was never designed to deal with chronic unemployment, whether it be among specific individuals, industries or regions of this country." (St. John's Board of Trade, St. John's hearings)

Regionally Extended Benefits: Unemployment Insurance as Income Supplementation

Unemployment Insurance has become much more than a program of temporary income assistance for workers who are between jobs. In some households it may be a part of a regular pattern of income from earnings on seasonal employment or short-term job creation projects, Unemployment Insurance benefits and perhaps some social assistance. In regions with high unemployment, any job and any public project to create jobs are reportedly viewed as "community resources" to be shared for 10-week periods in order that as many as possible can qualify for Unemployment Insurance benefits for the remainder of the year.

Unemployment Insurance supplements the incomes of short-term and seasonal workers through regionally extended benefits. This aspect of the program is highly controversial. There are those who view regionally extended benefits as the lifeblood of regions of high unemployment, while others view them as a major impediment to economic adjustment. Both views are held by different members of this Commission of Inquiry and constitute a basis for disagreement regarding specific reforms.

Regionally extended benefits were designed as a third benefit phase to assist workers in regions with less industrial activity and with an average unemployment rate higher than "normal." When these benefits were introduced in the early 1970s, the rate of unemployment accepted as normal was 4 percent. For this reason, regionally extended benefits provide claimants with two additional weeks of benefits for every half percentage point over a 4 percent regional unemployment rate, up to a maximum of 32 weeks. Thus, the benefit structure favours the unemployed in high unemployment regions. In addition, entrance requirements diminish as regional unemployment rates rise, and the 6-week "repeater" penalty disappears when unemployment rates are above 11.5 percent.

The 4 percent threshold was originally established on the grounds that the government, not employees and employers, should pay for unemployment benefits when unemployment is above what might be expected at "full employment." It was assumed that Unemployment Insurance should be confined to normal or frictional unemployment (typically of short duration), and that the federal government should pay the extended benefits in areas where unemployment was above that normal level (and where unemployment spells could be expected to last longer). In addition, the 4 percent threshold was based on the assumption that employment is more difficult to find in a region where unemployment is high.

When regionally extended benefits were introduced, it was assumed that they would be restricted to specific regions with particularly serious unemployment difficulties. Over time, however, the level of unemployment has risen in every region of Canada. In fact, as can be seen from the maps shown (Figure 4.6), some level of regionally extended benefits has been paid in every region since 1981. Regional benefits are no longer part of an economic adjustment plan directed toward areas with unusually

"The members of our association are absolutely convinced that many persons voluntarily make what amounts to a way of life out of working only long enough to establish benefits, and then drawing them for the maximum period, and then repeating the cycle. This is borne out by the studies that show that large numbers of persons who couldn't find any work while they were on benefits, very, very quickly find work as soon as their benefits run out." (Construction Labour Relations, Edmonton hearings)

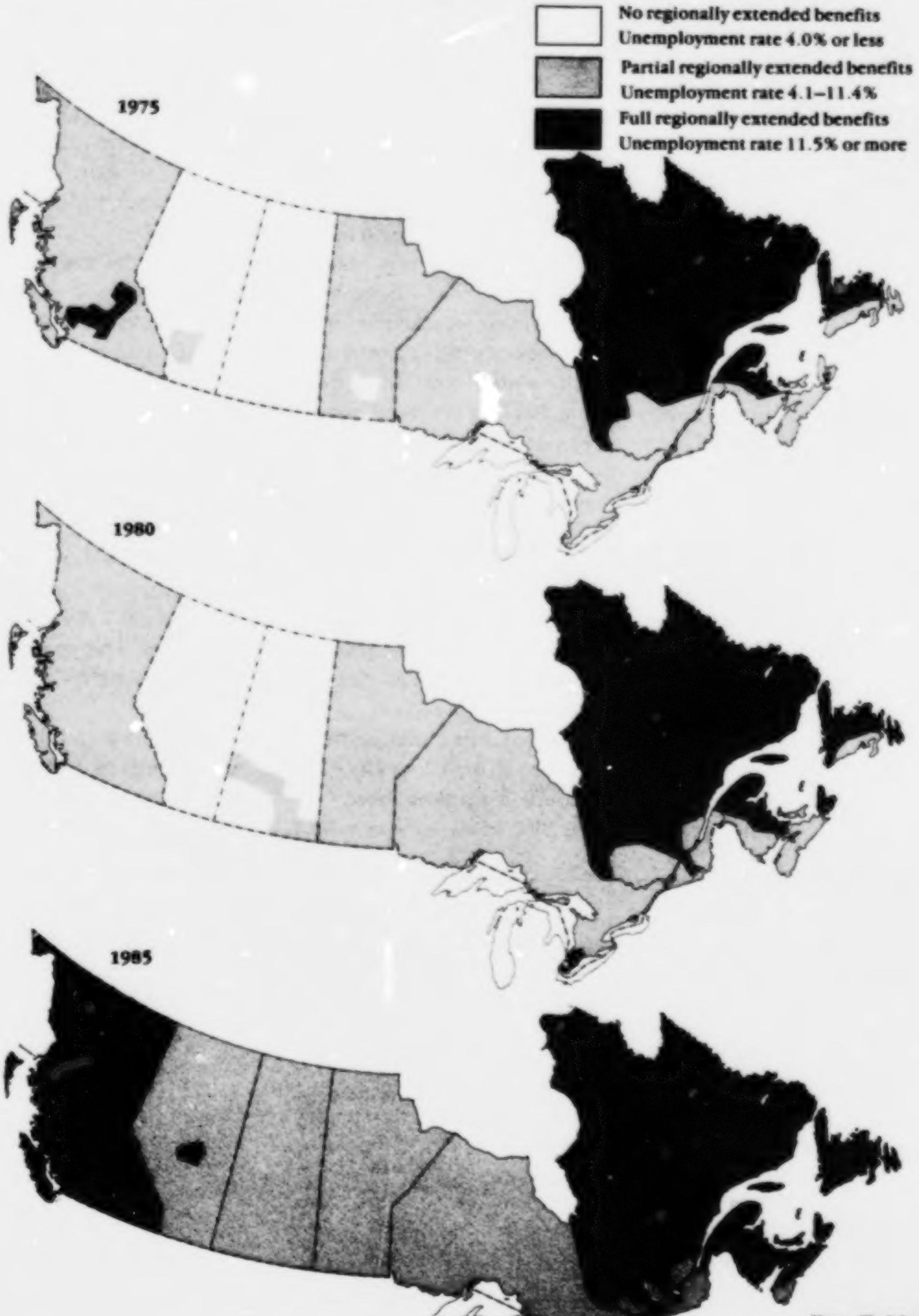
"Ideally, Unemployment Insurance is an insurance policy against short-term lack of work. When unemployment is at levels of 3 to 4 percent, it serves as a safety net for times between jobs. However, during these times of double digit unemployment, the program, of necessity, serves both income support and regional development functions." (Coalition for Equality, written brief)

"The UI program cannot and should not be made to operate as an income redistribution or regional disparity correction vehicle." (Retail Council of Canada, written brief)

"I don't see UI as a problem. I see that $1 million a week coming into the Miramichi economy as a God-send, as a matter of fact. UI is not the problem. It is one of the strengths of this economy." (Miramichi Region Development Corporation, Newcastle hearings)

"At times, the income maintenance provided by Unemployment Insurance is the difference between the survival of a community and its extinction." (Canadian Paperworkers Union, written brief)

Figure 4.6
Regionally Extended Benefits in Canada


No regionally extended benefits
Unemployment rate 4.0% or less
Partial regionally extended benefits
Unemployment rate 4.1–11.4%
Full regionally extended benefits
Unemployment rate 11.5% or more
1975
1980
1985

Note: The Labour Force Economic Regions are not the same as the regions currently used by CEIC. They are presented here so that comparisons between 1975, 1980 and 1985 can be made on a consistent basis. The regionally extended benefits presented are those which would have applied based on current regulations.

severe problems. They have become a kind of guaranteed weekly income or a temporary social assistance/income maintenance plan for those who can find at least 10 weeks of work.

Persistent high unemployment rates (much higher than 4 percent) are changing attitudes toward Unemployment Insurance. Many more workers are drawing Unemployment Insurance benefits for longer periods and depending on Unemployment Insurance for income supplementation. During the hearings there were calls, on the one hand, to expand Unemployment Insurance to meet income support and supplementation objectives more effectively and, on the other hand, to restrict the program more narrowly to an insurance program.

> **"We believe that the administrative connection of UI with other programs, particularly social welfare schemes, should not be allowed to confuse or alter the primary objective of the program. UI is social insurance, not social welfare." (Labourers' International Union of North America, written brief)**

The history and rationale for regionally extended benefits suggest that they ought not to be a part of Unemployment Insurance. They are a form of short-term income supplementation to those who have been able to obtain 10 weeks of work, and they provide more assistance in regions where unemployment is high. The unfairness of this restricted income maintenance program is clear. Persons who have been unemployed for longer than 25 weeks suffer the same degree of hardship whether the unemployment rate in their region is 4 percent or 10 percent. It is also unfair to relate the qualifying period for regular Unemployment Insurance to the region where a person lives and works. A person who becomes unemployed after working 13 weeks in a region with 4 percent unemployment may be in exactly the same situation as someone who becomes unemployed after working 13 weeks in a region with 9 percent unemployment. Yet the first does not qualify for regular Unemployment Insurance and the second does. For details on the way benefits and qualifying periods vary, see Appendix F.

> **"We feel that this is an essential first step in philosophy, that Unemployment Insurance again be established for what it should be, an insurance benefit which is a person's right to claim, based on past contributions, with appropriate eligibility requirements and limitations related solely to involuntary loss of employment. We believe it essential to establish firmly again in people's minds that this is not a program for redistribution of income, an easy substitute for available gainful employment or a vehicle to avoid contributing meaningfully to society." (Mechanical Contractors Association of Canada, written brief)**

In high unemployment areas, regionally extended benefits mean that 10 weeks of work can result in 42 weeks of benefits. Earnings of $495 a week for 10 weeks can be "supplemented" by Unemployment Insurance to the amount of $12,474 (60% of 495 × 42), bringing the individual's

Figure 4.7

Distribution of Unemployment Insurance Benefits by Family Income, 1982

Family income in 1982	Total estimated benefit ($ millions)	Percentage distribution
Less than $10,000	**821**	**11.5%**
$10,000–20,000	**2,048**	**28.7%**
$20,000–30,000	**1,763**	**24.7%**
$30,000–40,000	**1,189**	**16.7%**
$40,000–50,000	**633**	**8.9%**
$50,000 and over	**681**	**9.5%**
Total	**7,135**	**100.0%**

Note: Total does not match administration data since the source for these data is a survey subject to undercounting.

Source: Special tabulation by the Commission of Inquiry on Unemployment Insurance based on data supplied by Statistics Canada.

annual income to $17,424 ($4,950 + $12,474). Without regionally extended benefits that person would be eligible for only $7,920 ($4,950 earnings plus 10 weeks of Unemployment Insurance at $297 per week).

> "Transfer payments and federal payments in the form of UI are certainly an integral and necessary part of the Atlantic economy. Any reduction in those payments will have an immediate and disastrous effect on the present economy." (Nova Scotia Federation of Labour, Halifax hearings)

The fact that regionally extended benefits are administered as Unemployment Insurance has another serious consequence. To the extent that those who qualify for extended benefits have only a short-term attachment to the labour force, others perceive the payment of extended benefits as an indication of abuse. Workers who collect benefits for longer than 40 weeks after less than 15 weeks of insured earnings, however, represent only 3 percent of claimants and they collect only 4.5 percent of total benefits paid in Canada (although in Atlantic Canada their proportions are greater). Since extended benefits represent 31 percent of total benefits, this high incidence has eroded public confidence in the Unemployment Insurance program as a whole.

When regionally extended benefits are analyzed as a form of income supplementation, it is clear that they are not well designed to meet that objective. This is true for a number of reasons.

> "Eliminate regional benefits." (Chambre de commerce du Québec, Montréal hearings)

- Unemployment Insurance does not target benefits strictly to low income families; benefits are proportional to the former earnings of the individual worker, so that higher benefits go to higher earners rather than to those with greater need (Figure 4.7). An income supplementation scheme should adjust benefits inversely to earnings.
- Unemployment Insurance benefits are calculated according to individual earnings, whereas income supplementation programs usually pay benefits according to family or household income.

Figure 4.8

Relationship of Unemployment Insurance Benefits to Wages and Salaries by Province, 1985

	Benefits ($ millions)	Total Wages and salaries ($ millions)	Benefits as a percent of wages and salaries
Newfoundland	554	3,065	18.1%
Prince Edward Island	107	648	16.5%
Nova Scotia	457	5,765	7.9%
New Brunswick	518	4,466	11.6%
Quebec	3,172	54,050	5.9%
Ontario	2,551	94,803	2.7%
Manitoba	318	8,666	3.7%
Saskatchewan	258	6,908	3.7%
Alberta	838	23,387	3.6%
British Columbia	1,416	25,890	5.5%
Canada	10,226	228,568	4.5%

Note: Canada total includes Yukon, Northwest Territories and residents abroad.

Sources: For benefits, Canada Employment and Immigration Commission, *Statistical Bulletin* (Ottawa: The Commission, January 1986). For wages and salaries, Statistics Canada, *Canadian Statistical Review* (August) (Cat. no. 11-003), 1986.

"Unemployment Insurance is the major adjustment assistance program available to unemployed workers. In the case of New Brunswick almost $.5 billion was expended on UI benefits in 1984. If removed wholly or partially from the economy without offsetting employment revenue to replace it, the results would be catastrophic. Overall economic activity would decline sharply and the provincial debt would rise appreciably, as would unemployment." (New Brunswick Federation of Labour, written brief)

- The Unemployment Insurance scheme has an "either-or" character – workers are either unemployed and eligible or employed and ineligible. Unemployment Insurance does not supplement the incomes of former recipients who have fully returned to the labour force. Income supplementation schemes, however, typically supplement workers' incomes as they move from unemployment to employment, and this supplement can continue for an indefinite period, depending on the level of earnings.

Unemployment Insurance benefits are considered by many as an essential element in regional economies (see Figure 4.8). The impact of removing regionally extended benefits would be to reduce total expenditures for Unemployment Insurance by some $2.8 billion. This change would have a differential impact on provinces and on individual beneficiaries, depending upon their weeks of insured employment, the duration of their unemployment, and their weekly earnings.

In terms of weeks of insured employment, the impact of this would be to reduce benefits to short-term workers relatively more than to long-term workers (see Figure 4.9). By contrast, the impact would be least for those who remain unemployed for a short time and greatest for those who remain unemployed for at least 40 weeks (see Figure 4.10). The impact of the removal of regionally extended benefits on workers at different levels of earnings would be somewhat more severe for those with low earnings than for those with higher earnings (see Figure 4.11). The impact of all three of these can be summarized by looking at the provincial distribution of the consequences (see Figure 4.12). The Atlantic provinces, Quebec and British Columbia all lose more than Ontario or the Prairie provinces.

Regionally extended benefits are a palliative, not a cure, and do nothing to change the basic problems facing the unemployed in these

Figure 4.9

Estimated Effect of Eliminating Regionally Extended Benefits, by Weeks of Insurable Employment

Weeks of insurable employment	Number of beneficiaries[a]	Expenditures ($ millions)			Change from current program
		Current program	Regionally extended benefits	Current program without regionally extended benefits	
Less than 20	419,000	2,000	1,310	690	–66%
20–29	573,000	2,500	930	1,570	–37%
30–39	333,000	1,210	250	960	–21%
40–49	324,000	1,180	190	990	–16%
50 and over	434,000	2,070	130	1,940	– 6%
Total	2,084,000	8,970	2,800	6,170	–31%

[a] Excludes benefits for maternity, sickness, fishing, training, work sharing and job creation.

Notes: Totals may not add due to rounding. Percentage changes are calculated using unrounded figures. See Appendix G for additional information.

Source: Special tabulation by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission claimant data.

regions, or the communities in which they live. They could be assisted more effectively if the money now spent on regionally extended benefits were used to address the root causes of unemployment. Moreover, the current approach of simply extending benefits provides little incentive for individuals to adapt. Indeed, it may reinforce the natural unwillingness of people to change.

The need for a rational income supplementation scheme in Canada was identified in the social security review of the mid-1970s and more recently by the Macdonald Royal Commission. The need for reform of the Unemployment Insurance program has been the subject of no less than five reviews since the Gill Committee of Inquiry in 1962. Reform has been difficult, however, because it is impractical to change Unemploy-

"It is our view that any reduction in the level of Unemployment Insurance benefits and any increase in the restriction on UI eligibility, in and of themselves, will inevitably increase poverty and increase income disparity between rich and poor in Canada. That is point no. 1. Point no. 2 is that major changes to Unemployment Insurance should be undertaken only in concert with an overhaul of the whole income security system."
(National Anti-Poverty Organization, Ottawa hearings)

Figure 4.10

Estimated Effect of Eliminating Regionally Extended Benefits, by Duration of Benefits

Duration of benefits (weeks)	Number of beneficiaries[2]	Expenditures ($ millions)			Change from current program
		Current program	Regionally extended benefits	Current program without regionally extended benefits	
1–10	367,000	260	0	260	0%
11–20	359,000	830	10	820	–1%
21–30	362,000	1,440	210	1,230	–15%
31–40	350,000	2,030	770	1,460	–38%
41 and over	524,000	4,410	1,810	2,600	–41%
Total[b]	2,084,000	8,970	2,800	6,170	–31%

a Excludes benefits for maternity, sickness, fishing, training, work sharing and job creation.
b Includes claimants with zero weeks.
Notes: Totals may not add due to rounding. See Appendix G for additional information.

Source: Special tabulation by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission claimant data.

Figure 4.11

Estimated Effect of Eliminating Regionally Extended Benefits, by Weekly Insurable Earnings

Weekly Insurable Earnings (1985 dollars)	Number of beneficiaries[a]	Expenditures ($ millions)			Change from current program
		Current program	Regionally extended benefits	Current program without regionally extended benefits	
$0–200	454,000	1,080	370	710	–34%
$200–400	1,052,000	4,660	1,540	3,120	–33%
$400 and over	578,000	3,230	890	2,340	–28%
Total	2,084,000	8,970	2,800	6,170	–31%

a Excludes benefits for maternity, sickness, fishing, training, work sharing and job creation.
Notes: Totals may not add due to rounding. See Appendix G for additional information.

Source: Special tabulation by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission claimant data.

Figure 4.12

Estimated Effects of Eliminating Regionally Extended Benefits, by Province

Province	Number of beneficiaries[a]	Expenditures ($ millions)			Change from current program
		Current program	Regionally extended benefits	Current program without regionally extended benefits	
Newfoundland	91,000	460	220	240	–48%
Prince Edward Island	17,000	90	40	50	–44%
Nova Scotia	83,000	380	130	250	–34%
New Brunswick	91,000	470	220	250	–47%
Quebec	628,000	2,890	940	1,940	–33%
Ontario	616,000	2,160	510	1,650	–24%
Manitoba	68,000	270	60	210	–22%
Saskatchewan	55,000	220	50	180	–23%
Alberta	177,000	740	210	530	–28%
British Columbia	252,000	1,260	410	850	–33%
Total[b]	2,084,000	8,970	2,800	6,170	–31%

a Excludes benefits for maternity, sickness, fishing, training, work sharing and job creation.

b Includes Yukon and Northwest Territories.

Notes: Totals may not add due to rounding. See Appendix G for additional information.

Source: Special tabulation by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission claimant data.

ment Insurance without providing an alternative form of financial assistance to those individuals and regions that would be adversely affected.

"Only 16 percent of the Unemployment Insurance payments go to those below the poverty line; 84 percent go to the haves." (Ontario Provincial Council of Labour, written brief)

As has been noted, Unemployment Insurance is not an efficient method of redistributing income (see Figure 4.7); only about 11 percent of benefits go to families with incomes below $10,000 while almost 20 percent go to families with incomes of $40,000 a year or above. Furthermore, the tax dollars which pay for regionally extended benefits are not directed to all who are in need of a supplement, but only to individuals who have obtained at least 10 weeks of insurable work. Finally, this tax money is directed to individuals rather than to communities or regions; it does not address the need to build up the economic base of the region and to decrease unemployment.

"The Canadian Federation of Labour disagrees with the notion that UI is or should be a program to redistribute income. The CF of L suggests that if income redistribution is desired by the government and Canadians it should be pursued through programs specifically designed for that purpose, such as a guaranteed annual income, negative tax, or direct payments with tax recovery." (Canadian Federation of Labour, written brief)

If regionally extended benefits were replaced by a separate income supplementation program and appropriate economic development initiatives, Unemployment Insurance could serve its legitimate social insurance role. Unemployment Insurance cannot make insufficient earnings adequate, because it replaces only part of the income lost during unemployment and provides no benefit if there is no interruption in earnings. The role of Unemployment Insurance is to stabilize a person's income in some measure. Any attempt to make Unemployment Insurance do more will lead to inconsistencies and inequities.

The removal of regionally extended benefits, along with other changes recommended in this report, could make available almost $3 billion to help fund an income supplementation program and the other human resource development programs proposed. What proportion of these savings should be used for supplementation and what proportion should be devoted to educational upgrading or community economic development initiatives is a matter for debate and decision by politicians. There is no single "best answer" to these choices: all that can be done is to indicate their combined impact upon unemployment.

Recommendation

7 **Regionally extended benefits within the Unemployment Insurance program should be progressively abolished and replaced over a period of four to five years with a range of human resource development programs better tailored to meet the needs of individuals and regions. The range of programs and policies should include:**

- **an earnings supplementation program;**
- **economic and community development initiatives (see Chapter 3);**
- **education, literacy and basic training programs (see Chapter 5); and**
- **policies and programs to facilitate greater flexibility in the labour market (see Chapter 6).**

A Canadian Earnings Supplementation Program

An income supplementation program cannot be discussed in isolation. The characteristics of any supplement will depend on a multitude of features in social security benefits and in the tax system that materially affect its adequacy, its cost and the distribution of benefits. The federal government has recently made known its intention to reform the tax system and to review a number of social programs. It may be that a good income supplementation program can be devised only if substantial tax reform takes place.[7]

"If remuneration from employment is not enough, it is to be supplemented by other means of social protection. Everyone has a right to a standard of living adequate for the health and well-being of himself and his family." (Saskatchewan Association on Human Rights, Regina hearings)

As noted, four provinces already have supplementation programs and all provinces are vitally interested in any program that might help "unemployed employables" who now depend on social assistance. The introduction of any supplementation plan should presumably follow federal-provincial discussions and should probably result in bilateral or multilateral agreements that would reflect different provincial concerns. The need, for example, to find a substitute for fishermen's benefits might be incorporated in the plans of a number of provinces (see Chapter 9). Thus, it might be appropriate to consider a group of supplementation plans instead of one uniform plan applicable across this diverse country.

There are many kinds of income supplementation programs. One program involves payment of varying amounts to bring everyone up to a certain level, as in the Saskatchewan and Manitoba plans. Another, referred to as an "earnings supplementation" program or a "work incentive" plan, pays a small amount to top up every dollar earned up to a certain income level, similar to the plan in operation in Quebec. A variation of that scheme would involve treating Unemployment Insurance benefits in the same way as the earnings that they replace, and topping up either earnings or benefits. An income supplement combined with a standardized and reformed tax system has also been proposed. Finally, the Macdonald Royal Commission's proposed Universal Income Security Program is primarily an income supplementation program.

"We are not denying that there is a need for a guaranteed annual income, we are simply saying that this objective cannot be achieved at the expense of UI or other earnings-related programs." (Canadian Labour Congress, Ottawa hearings)

An income supplement differs in a fundamental way from a guaranteed annual income. A guaranteed annual income is a universal program but is directed, first and foremost, to those who are unable to work – that is, those who would otherwise have no income at all. In a sense, Canada already has a guaranteed income, albeit in a piecemeal form. For the elderly it provides Old Age Security payments plus the Guaranteed Income Supplement, for families with children there are Family Allowances and tax credits, and for all who meet the needs test there is social assistance. A guaranteed income must provide those who have no other sources of support with enough money to live on.

An income supplementation program is by definition addressed to those who have some other income. More specifically, it is addressed to those with some minimum level of earnings – that is, the "working poor." That category includes workers whose wages are too low to provide an adequate income to meet their family's needs, and those who work some of the time but either fail to qualify for Unemployment Insurance or qualify only for small or short-term benefits. Potentially, this group could also include those now on social assistance who are employable and would work if they had the opportunity.

"It would seem impossible to have a minimum guaranteed income which, in effect, gathers up all the other programs and replaces them. (Chambre de commerce du Québec, Montréal hearings)

If the tax system and all existing socially motivated tax assistance measures remain unchanged, and if the funds now used for all income supplementation benefits remain available for that purpose, a supplementation plan could conceivably be devised that would solve the problems inherent in the present patchwork system. But the result would be unsatisfactory. An analysis of the problems inherent in the Macdonald Royal Commission proposal for a Universal Income Security Program illustrates that point.

"The Macdonald Commission's proposal for UISP, if accepted, would amount to a straightforward transfer of funds from low, and middle, income earners to corporations." (Toronto Legal Clinics' Unemployment Insurance Workgroup, written brief)

The Macdonald Royal Commission identified approximately $12.2 billion that could be made available from Family Allowances, the Guaranteed Income Supplement (but not Old Age Security pensions), the Child Tax Credit, child and married or equivalent to married income tax exemptions, and the federal share of social assistance.[8] If all these funds were channelled into a Universal Income Security Program, they could finance the maximum annual benefit levels (in 1984 dollars) of $2,750 for adults under age 65 (and for the first child in a single-parent family), $750 for children, and $3,825 for the elderly.

"We feel that if you were to combine all the social programs as they presently stand that the benefits for an individual, at this time, would far exceed what a guaranteed annual income might actually give him, especially since the bottom-line recommendation, I think, has been $13,000 a year. In our understanding, this does not meet the poverty lines for a family of three even for a rural area." (Fredericton Anti-Poverty Organization, Fredericton hearings)

During the public hearings this proposal was frequently misunderstood and criticized. Because it was referred to as an "income security" plan, it was perceived as a guaranteed annual income. Thus, the level of income was identified as clearly inadequate, since it was insufficient for a person or family with no other source of income.

For those with no other income, the Macdonald Royal Commission's recognition that "the income guarantees operative at very low earnings levels are not necessarily adequate to meet all family needs unless some additional support is provided"[9] was lost upon its critics. The Royal Commission's assumption that the provinces would use their 50 percent share of Canada Assistance Plan monies to provide a basic income (averaging some $4,000) in addition to the proposed supplement was no consolation to those concerned with protecting the lot of social assistance recipients.

The "universal" nature of the Universal Income Security Program provides another source of difficulty. There is no way of sidestepping the distinction between those who are able and expected to work and those who are not. There are fundamental differences between these two categories (in spite of the unavoidable grey area in between) in the way they can respond to the very existence of income support and supplementation programs. The Macdonald Royal Commission's Report recognized this concern:

> It is possible to make receipt of benefits contingent on active participation in the labour force in the form of active job search . . . or by demonstrating some level of earned income or by participation in locally administered job-creation projects.[10]

If this were done, however, the Universal Income Security Program would no longer deserve its title of "universal."

Beyond these criticisms that are based partly on a misapprehension of the proposal for a Universal Income Security Program, Michael Wolfson has demonstrated that, even considered from the narrower perspective of an income supplement, when the tax system is taken into account the proposal does not achieve the slow and smooth transition from net transfers to net taxes as higher and higher income levels are considered (see box).[11]

These imperfections of the proposal stand out more clearly against an alternative proposal that substantially modifies the tax system in the direction of a flat (that is, a uniform marginal) rate for personal income tax. For instance, the effective marginal tax rates under the Universal Income Security Program range between 50 and 60 percent at incomes between $10,000 and $30,000.

This analysis brings out the basic dilemma of instituting a universal guaranteed annual income. Available funds are not sufficient. Therefore, either benefits would have to be inadequate or the tax rate on earnings would have to be so high that work incentives would suffer. Even if the program used all of the money in both the income support and the supplementation tiers of programs identified earlier, there would not be enough to provide an adequate income for all those Canadians who are without work. The attempt to do so would involve large shifts in benefits, and not always in the desired direction. Recipients of social housing benefits would lose, for example, as would the elderly, while single individuals would gain. A supplementation program, however, would require a smaller amount of funds because it simply tops up other earnings.

To define a specific supplementation plan would require making a large number of highly debatable assumptions about related changes in social programs and the tax system, about social and economic priorities, as well as about provincial viewpoints. It is valuable, however,

"I think it is the mechanics of the thing that scare people. What scares people the most is the fact that they will not get paid enough. On UI you do not get dental and you do not get optometrists, et cetera. You simply get a cheque. But people on welfare do get the optometrist. We have to take these things into account as well. What a guaranteed annual income would pay would have to be above the poverty line and would have to be reviewed yearly. The speaker before me said $9,000 for a single person and I tend to think that is low." (David Radke, Calgary hearings)

"This is where guaranteed annual income falls down, in my view. It provides only the income side. You also need the social service side." (Government of Manitoba, Department of Employment Services and Economic Security, Winnipeg hearings) to describe the essential characteristics that any viable and acceptable supplementation program should possess. This Commission of Inquiry favours the concept of an earnings supplementation program.

An earnings supplementation plan, however, cannot be designed to solve the income support needs of those who are unable to work and are without any other source of income. Therefore, it cannot be truly "universal," since that segment of the population would be excluded. For all others an earnings supplementation program, no matter how modest in the beginning, would be a step in the right direction. It would promote self-help and would do so in a less discriminatory way than the present quasi-income supplement operated under the name of regionally extended Unemployment Insurance benefits. Initially, the amounts of supplementation might not be equivalent to current regionally extended benefits, since other human resource development programs are also proposed, but the funds for this general purpose would be more equitably distributed.

An earnings supplementation plan should improve the options open to a person struggling to establish self-sufficiency through participation in the labour force. It should be designed to ensure that an individual's total income goes up significantly when earnings increase. It is paradoxical that many find themselves in a "welfare trap" when they attempt to get off social assistance. When the level of earnings is relatively low, more work may lead to the same or even less total income,

Integrating Income Security with the Personal Tax System

In an article entitled "A Guaranteed Income" in *Policy Options* (January/February 1986), Michael Wolfson assesses the Macdonald Royal Commission's proposal for a Universal Income Security Program (UISP) and proposes a fully integrated Guaranteed Income/Simplified Tax (GI/ST) option.

Wolfson demonstrates that the UISP proposal fails to deal with the interaction and overlap between the direct transfer system and the personal income tax system. To illustrate how this problem could be overcome, his GI/ST would follow the lead of the UISP by abolishing the following programs and tax expenditures: Family Allowances, Guaranteed Income Supplement, Canada Assistance Plan (federal portion), Child Tax Credit, Married and Equivalent to Married Exemptions, and Exemptions for Dependent Children. Unemployment Insurance would be cut back by 40 percent. Then, to integrate and simplify the overall income tax and transfer system, the GI/ST would go on to abolish the personal exemption; the age exemption; the pension, investment and employment income deductions; and, most importantly, the complex set of marginal tax rates. There would be a single basic federal tax rate of 30 percent and a 15 percent surcharge on total income over $30,000. Unemployment Insurance premiums would be abolished and the program would be financed out of consolidated revenues.

To replace all the personal exemptions, the GI/ST would provide a set of annual federal income guarantees. For purposes of comparison with the UISP, Wolfson chooses similar levels for this new universal guaranteed income:

- $2,750 per person aged 18 to 64;
- $750 per child under age 18;
- $2,600 per person aged 65 and over;
- $2,000 additional for single parents;
- $1,400 additional for single persons aged 65 and over.

These guarantees are consistent with supplementation for the working poor. However, they would be fully integrated with the personal income tax system. Unlike the UISP, tax-back rates on income-tested transfers would not be stacked on top of the personal income tax rates.

Even though they are fiscally equivalent, the distributional consequences of UISP and GI/ST would differ considerably. GI/ST and UISP both redistribute from higher- to lower-income families. The UISP would reduce disposable incomes for almost two-thirds of non-elderly families with children, while under the GI/ST only about one-third of these families would experience net losses. GI/ST tends to be more severe than UISP on the top 10 percent.

since social benefits and earnings themselves are taxable. Working may leave an individual financially no better off, or even worse off, than before.

Another requirement of an effective supplementation plan is that it have a low and consistent tax-back rate. That is, as income rises, benefits should be reduced at a relatively low rate (such as 40 percent). The rate should also be consistent, to avoid sudden jumps in the tax-back rate as income rises.

"We have a system that forces people to cheat. It forces people not to declare any income that they make, and I think it is wrong." (James Earl Jefferson, London hearings)

Instituting a new Canadian Earnings Supplementation Program would involve a major reform to one tier of the income security system. It would improve the integrity of the Unemployment Insurance program by allowing it to return to its appropriate role as social insurance.

Recommendation

8 The Canadian government should work closely with the provinces to develop earnings supplementation programs that complement the proposed changes in the Unemployment Insurance program. These programs should ensure that those who participate in the labour force but have inadequate incomes would be eligible to receive a supplement on the basis of total household income rather than individual income. The tax-back rate, when combined with the income tax system, should be less than 50 percent.

Social Insurance

The Role of Unemployment Insurance

Unemployment Insurance plays a transitional role, that of a partial income replacement for a specific period between spells of work in a given job or between jobs, or between the end of employment and withdrawal from the labour force. In the long run, it helps cushion the impact of unemployment both for the individuals directly affected and for their communities, which are dependent on their continued purchasing power. Since it is a transitional program, it is unlike social assistance, retirement or disability plans that are intended to provide ongoing support to maintain individuals and families at a reasonable level over the long term. It has adaptive, preventive and facilitating functions because it helps individuals who are waiting for their jobs to resume, shifting to other employment, or moving out of the labour force. It is more of a lifeline than a safety net.

"Unemployment Insurance has played a critical role as an economic stabilizer. Income from Unemployment Insurance benefits has sustained not only individuals and families, but entire communities, and indeed regions, in times of serious economic hardship." (Government of Manitoba, Department of Employment Services and Economic Security, Winnipeg hearings)

"For us, Unemployment Insurance is a federal social assistance program, whose purpose is to protect against a temporary interruption of earnings." (Fédération des femmes du Québec, written brief)

The proposed supplementation program would facilitate a reform of the Unemployment Insurance program into a straightforward earnings-related entitlement, bearing no relationship to need or family status as those notions apply for purposes of income support or supplementation. It is impossible to use Unemployment Insurance for income supplementation purposes without subverting its nature and creating unacceptable inequities. In a sense, what is insured by Unemployment Insurance is the earnings on which premiums are paid, rather than the person who gets those earnings. What triggers Unemployment Insurance benefits is the occurrence of unemployment. The meaning of that occurrence deserves closer scrutiny.

Job Loss versus Earnings Interruption

The commonsense meaning of unemployment is to be "out of work," but not everyone who is out of work can get Unemployment Insurance and some may get it while they still have a job. Important issues are at stake in the definition of unemployment, because the lines of demarcation between Unemployment Insurance and other programs are implicit in any definition, and the definition can make the difference between qualifying for Unemployment Insurance and not qualifying.

Only those who have worked for a certain number of weeks and then lose their jobs can qualify for Unemployment Insurance. Rules about entrance requirements divide the jobless into two groups: those who do not meet the entrance requirements and those who qualify for coverage. Whatever these rules may be, the point is that those who fail the test must rely on their own resources, those of their families or, failing that, on social assistance.

The present program defines unemployment in a most confusing way. To be unemployed means to suffer an "interruption of earnings" for at least seven days. In the majority of cases, that happens when a contract of employment is terminated since, when that occurs, one stops getting paid. Payments sometimes continue, however, after work has ended. Even more important in the present context, eligibility for Unemployment Insurance benefits may exist even if the contract of employment endures. The Canadian Unemployment Insurance program does something that is not done in many other countries. It covers interruptions of earnings in situations such as maternity, sickness, and short-term layoffs with recall, whereas in other countries these risks are covered by other elements of the social security system. The relatively wide scope of Unemployment Insurance in this country accounts, at least in part, for the relatively large fraction of gross national product that Unemployment Insurance represents (2.4 percent in 1984).

Coverage of interruption of earnings arises in three categories of circumstances. An employee who is on sick leave is temporarily "out of work" but is still bound by a contract of employment, as is the employer. Similarly, under some provincial laws employment security is guaranteed to pregnant women. Unemployment Insurance in these cases is a compulsory program providing minimum benefits for all employees and serves a social purpose.

The third situation involves short-term layoffs and seasonal employment, where workers are frequently recalled to the same jobs. Some occupations, such as those in the construction trades, are characterized by a succession of employment spells for the same or different employers. In many cases there is an implicit or explicit contract whereby seniority rights are maintained, pension benefits and contributions continued, and classifications respected. Earnings are interrupted but it is questionable whether job loss has occurred.

The coverage of all of these interruptions of earnings by Unemployment Insurance is not universally accepted. Several arguments are made against it. Some believe that including "interruption of earnings" when there is no job loss is, in principle, inappropriate under an Unemployment Insurance program. For others the question is what risks should be

"As for maternity benefits, the temporary stoppage of work due to maternity, adoption or sickness is, we believe, properly related to work and should be part of a UI program. There are no other processes in place right now that could cover a program of maternity benefits." (Commission des services juridiques, Montréal hearings)

"The worker who quits her job because of pregnancy is not really unemployed, since she still has her job. The benefits paid out to these workers should, therefore, be provided by a program other than Unemployment Insurance – for example, through Family Allowances – and should be entirely financed by the government." (Syndicat des fonctionnaires provinciaux du Québec, written brief)

"We view maternity as a choice. Women should be able to provide for their own leave through a tax-deductible thing just like an RRSP." (Berwick Ferguson Payroll Canada Ltd., Toronto hearings)

"Ideally, we would like maternity leave and all parental rights taken out of the UI Act. We think the ideal would be to have a policy for maternity and for parental rights independent of the UI Act. Since this policy and this law, which would effectively give Canadian women a right to maternity leave does not exist, we think that maternity leave should be kept in the current program and should be improved." (Confédération des syndicats nationaux (CSN), Québec hearings)

"There used to be a perception that people who lived or worked in occupations that were either seasonal or subject to ups and downs more so than other occupations, would generally have better-paying jobs, and that this fact would offset some of this fluctuation and the ability to have full-time year-round employment. Whereas UI was – originally, anyway – conceived as a sort of bridging to prevent people falling below an absolute minimum in periods between jobs." (Ontario–Manitoba Primary Council of the Canadian Paperworkers Union, Thunder Bay hearings) pooled. Are the risks the responsibility of the employer or of society? Does sickness belong in the same "pool"? With regard to short-term layoffs subject to recall, some argue that the availability of Unemployment Insurance creates an incentive for employers to use layoffs to minimize their costs, when faced with large inventories of finished goods, at the expense of all other employers and employees. As identified in Chapter 2, there is a pattern of usage which suggests that this does in fact happen.

"Costs have risen dramatically in the areas of maternity and sickness leaves under the Unemployment Insurance program. It is the feeling of the Alberta Chamber of Commerce that benefits in these areas do not belong in the program." (Alberta Chamber of Commerce, Calgary hearings)

"In our opinion, it would be a mistake to consider the Unemployment Insurance system as being a true insurance system. Since its beginning, it has been and has developed into a universal transfer system to the unemployed in Canada." (Confédération des syndicats nationaux (CSN), written brief)

Another source of difficulty is that since 1940, the federal government has acquired the power to legislate an Unemployment Insurance program and to finance it through premiums. If the courts were called upon to ascribe limits to the power of Parliament to define unemployment, it is believed that they would favour a generous interpretation of that power, to the extent that a broad definition would be considered essential for an effective Unemployment Insurance program. Whether interruption of earnings, unaccompanied by severance of the employment contract, would pass that test must await a judicial decision.

Social insurance should be mandatory and universal because it is in the general interest of society to share widely the burden of certain risks. In this respect Unemployment Insurance resembles medical insurance, which is compulsory, with standard premiums and coverage for all – both those with high medical risks and those in good health with low risk. Critics of Canada's Unemployment Insurance program have argued that a "risk" which is certain to occur and is "anticipated" should not be insured. In social insurance plans, however, "pure insurance" is not the goal; the goal is to insure against involuntary interruptions of earnings and to pool that risk among all employers and employees. Some situations which affect workers' earnings are legitimately insurable risks even though they are anticipated. Even when the worker expects to return to the same job after a period of unemployment, the risk that the employer and worker are insuring against is the timing and duration of the interruption of earnings.

In social insurance, the notion of what constitutes a kindred group with sufficiently similar risks is a realm for subjective interpretation. Those who object to the extensive pooling under the present Unemployment Insurance program cannot be proved wrong. The only answer to that objection is to point to past practice and to the lack of any other clear alternatives at this time.

Recommendation

9 Unemployment Insurance should provide temporary replacement of earnings in the case of job loss or interruption of employment earnings.

Benefit Repayment by High-Income Claimants

Since 1979, high-income claimants have had to repay part of their Unemployment Insurance benefits. This provision affects claimants whose net incomes for tax purposes exceeds 150 percent of the annual maximum insurable earnings. The current threshold income level is $38,766. The amount repaid is the lesser of 30 percent of net income (including Unemployment Insurance benefits) in excess of the threshold or 30 percent of benefits received. Thus, an individual who had net income of $40,000 and had received $3,000 in benefits would have to repay $370 (30 percent of the difference between $40,000 and $38,766). If net income was $45,000, then someone who had received $3,000 in benefits would have to repay $900 (30 percent of $3,000).

This provision was introduced in response to concern at the proportion of benefits going to high-incomes families. It therefore illustrates the current ambivalence about whether the role of Unemployment Insurance is income redistribution or social insurance. Since Unemployment Insurance cannot perform an income redistribution role adequately, this provision should be eliminated as part of the reforms recommended in Chapter 7.

Maternity, Parental and Sickness Benefits

A comprehensive disability program has been under discussion by the federal and provincial ministers of social services. The focus of that discussion is on long-term disability, as distinct from the short-term sickness benefits now provided under Unemployment Insurance. These long-term disability payments include those made under the Canada and Quebec Pension Plans, Workers' Compensation, private long-term disability plans, and provincial programs of assistance to the disabled in Ontario, Alberta and British Columbia.

"On sickness benefits, we have taken the position that they remain within the Unemployment Insurance system . . . UI sickness benefits, as well as all other present benefit systems which provide for income continuity for disabled persons, should be scrapped and replaced with one universal disability system." (Confederation of Canadian Unions, Vancouver hearings)

This initiative is to be commended. Further analysis of the issue should include consideration of the coverage of short-term sickness and maternity, and issues related to the role currently served by Unemployment Insurance in providing these benefits.

In the absence of another, more inclusive, system to protect the income of workers who require leave for maternity or sickness, it is appropriate for Unemployment Insurance to continue to provide coverage. This is in keeping with the definition of unemployment as resulting from either job loss or a temporary interruption of earnings. It is just as reasonable to cover temporary sickness and maternity periods as it is to cover temporary layoffs with recall notices.

"The 'unexpected' element, in our view, justifies the inclusion of sickness benefits in our proposed Tier 1 section. We recommend that there be greater differentiation in premiums between employers who provide sickness insurance and those who do not. This would encourage employers to self-insure. Our overriding concern here is that sickness coverage be available to all employees, including those who work for large and small businesses." (Canadian Chamber of Commerce, written brief)

Several business groups expressed a desire for a more attractive offset of Unemployment Insurance premiums for those employers with their own disability insurance plans. Currently, employer premium reductions are based on the average cost to the Unemployment Insurance program of providing sickness and maternity benefits for individuals insured under these private plans with costs based on the average annual insurable earnings of those individuals. Many of these groups feel that this method is inadequate because premium reductions are not related to the employers' costs in providing private insurance schemes. It is the cost of providing benefits through the Unemployment Insurance system, however, that should be the benchmark for premium reductions. The methodology of premium reduction should be reviewed to determine whether, in fact, it sufficiently compensates employers.

Recommendation

10.1 The Unemployment Insurance program should continue to provide sickness benefits. It should retain the provision for premium reduction equivalent to the saving to the Unemployment Insurance Account from private disability insurance, but the method of calculating the premium reduction should be reviewed.

Two administrative matters related to sickness are of particular concern. The issue of the "medical yardstick" for sickness benefits was one which caused many complaints at the public hearings. It was argued that the yardstick is a "secret chart" which arbitrarily determines the duration of sickness benefits without regard to the recommendations of the client's own physician. While the medical yardstick should continue to be used for guidance, the secrecy surrounding it simply fuels speculation that it is arbitrary and capricious. To avoid such concerns, the medical yardstick should be readily available to claimants.

It is also understood that the normal two-week waiting period is currently being waived in some cases of illness, injury or quarantine. This is at variance with the principle of co-insurance under which the insurer and the insured share the costs of the contingency covered by the insurance.

"How can a book tell how long someone should be sick? That is ridiculous. It should be up to the doctor to say how long the person is going to be sick and it is up to the Commission to accept it." (Labour Council of Metropolitan Toronto, Toronto hearings)

Recommendation

10.2 The medical yardstick for determining sickness benefits should be readily available for client reference. The two-week waiting period for sickness benefits should continue and this requirement should be enforced.

Since its introduction in 1971, the provision of maternity benefits has been changed from time to time, not only to provide for the period of physical incapacity of the mother, but also to allow benefits to be used to cover parental care. This trend is also seen in the 1984 extension of the benefit to adoptive parents.

"We also recommend that both parents have access to maternity-leave benefits, to share between themselves as they choose." (Canadian Bankers' Association, written brief)

In light of this change, it is surprising that current provisions fail to give the role of the natural father recognition equal to that given to the adoptive father. This Commission of Inquiry shares the view of the Parliamentary Committee on equality rights (the Boyer Committee) on this issue and concurs with its recommendation for the creation of a two-tier system of benefits.[12]

The provision for a two-week waiting period and for a total benefit period of 15 weeks should be maintained. The two-tier system would allow parents to choose how long the mother receives benefits and for the parents to decide which of them would undertake the initial parenting role. Current legislation requires the claimant to prove that it is "reasonable" to remain at home. That principle should be adapted to the two-tier approach.

Recommendation

11.1 A two-tier system of maternity and parental benefits should be implemented, comprised of:

- maternity benefits available during the period surrounding childbirth; and
- parental benefits available during the period following maternity leave or placement of an adopted child;
- parental benefits should be available to either or both parents (but not concurrently) such that the total amount of benefits does not exceed the maximum available to one parent; this should be made available only to those who are active labour force participants.

"If you are unfortunate enough to be unemployed and, in addition, become seriously ill, you had better have recovered by the sixteenth week. Because this is the time you will lose your right to draw Unemployment Insurance benefits." (Mouvement action chômage de Trois-Rivières, written brief)

The Boyer Committee also raised the issue of the receipt of special benefits of more than one type (i.e., maternity and sickness). Current legislation limits the duration of special benefits in any combination to 15 weeks. Thus, a parent who claims the full amount of parental benefits is unable to claim sickness benefits within the same benefit period, a restriction the Boyer Committee believed to be "unduly harsh" to natural or adoptive parents who become ill. That view is shared by this Commission of Inquiry and is illustrated in the situation described at the end of this chapter.

Finally, payment of these "special benefits" is currently confined to the "initial benefit phase," that is, the first 25 weeks of unemployment. This appears to be unnecessarily restrictive and should be amended.

Recommendation

11.2 Section 22(3) of the Unemployment Insurance Act should be amended to remove the present 15-week aggregate benefit limit, so that the availability of sickness benefits is separate and distinct from any maternity or parental benefits to which a person is entitled. Maternity, parental and sickness benefits should be available during any phase of the claimant's unemployment spell.

Experience Rating

"Why should the industries which provide year-round employment have to subsidize those that do not?" (Canadian Petroleum Association, Calgary hearings)

The previous discussion regarding interruption of earnings as it relates to sickness and maternity also raises questions about risks with respect to short-term layoffs and employment in seasonal industries. Interruption of earnings without job loss and the various part-year employment practices of some industrial sectors (for reason of seasonality or otherwise) contribute strongly to industry-to-industry variations in the relationship between contributions and benefits.

"Construction is identified as an industry which experiences a relatively high degree of temporary unemployment. Yet, it is clear that no imaginable adjustment in UI premiums will prevent employers laying off as major projects come to completion, or to cause companies engaged in work which is impossible in the winter to retain their crew in the colder months." (Labourers' International Union of North America, written brief)

Large variations in the use of Unemployment Insurance occur between industrial sectors (see Figure 4.12), and these variations have led to a situation where certain industries – namely those providing relatively stable, year-round employment – are regarded as subsidizing the less stable ones. From that perspective, Unemployment Insurance can have a negative long-term impact on the economy by encouraging unstable industries and discouraging stable ones. Experience rating is often suggested as a means of eliminating or reducing these cross-subsidies.

Figure 4.13
Benefit/Contribution (Benefit/Cost) Ratios of Unemployment Insurance, by Industry, Canada, 1977

Ratio above 1	Forestry	5.09
	Construction	2.46
	Fishing and hunting	2.10
	Recreation (sports, tourism, etc.)	1.67
	Agriculture	1.50
	Personal services	1.40
	Non-durable goods (food and beverages, etc.)	1.24
Ratio below 1	Commercial services	0.91
	Durable goods	0.87
	Retail trade	0.84
	Finance, insurance, and real estate	0.75
	Mining	0.67
	Transportation	0.58
	Teaching	0.38
	Communications	0.36
	Public services	0.15
All industries		1.00

Source: Canada Employment and Immigration Commission, Task Force on Unemployment Insurance, *Cost Ratio Analysis of the Insured Population*, Technical Study No. 12 (Ottawa: The Commission, 1981), p. 7.

Unstable jobs are declining relative to other jobs in the Canadian industrial structure. Indeed, sectors characterized by higher seasonal variations, such as agriculture, forestry, fishing and construction, have declined in relative importance over time, as noted in Chapter 2.

Although Workers' Compensation programs generally have adopted experience rating, most Unemployment Insurance programs have not, with the exception of those of certain American states.[13] If the purpose of experience rating is to change behaviour – that is, to induce employers to alter hiring and layoff practices in order to produce more stability in employment – and not to be punitive, then experience rating should be done on a firm-by-firm basis and should not be applied indiscriminately to entire industrial sectors. Generating the quantities of data needed to operate the system is administratively complex, and the benefits of experience rating would have to exceed the implied costs for it to be adopted. In practice, the impact of experience rating on behaviour is mitigated by minimum and maximum contribution rates, even when applied by private insurers, and thus reduces the incentive effect of the system. Finally, the cost of increased Unemployment Insurance contributions for employers with above-average layoffs is very small in comparison with the extra cost of transforming a part-year job into a full-year one. In most cases the impact of that relatively small financial penalty would be negligible.

"If experience rating were by industry rather than company, accurate allocation might not occur. It might encourage some employers to use overtime, rather than to hire employees on a temporary basis, in order to avoid claim charges. On the other hand, it should encourage job sharing rather than layoffs. Experience rating would cause additional administration costs. On balance we believe that the case against experience rating today is stronger than the case in its favour." (William M. Mercer Limited, written brief)

Recommendation

12 **Unemployment Insurance premiums should not be based on experience rating.**

"You have an obligation, the government has an obligation, to ensure that any changes made to Unemployment Insurance are assessed in terms of their impact on poverty and income disparity . . . Unemployment Insurance, in some instances, in some parts of the country in particular, now serves more as an income transfer program, as an income maintenance program, rather than a social insurance program. To go back to the basic principles without replacing the function that UI now provides in terms of income maintenance and income transfer, I think, will inevitably lead to an increase in poverty and income disparity." (National Anti-Poverty Organization, Ottawa hearings)

Summary and Conclusions

This chapter starts from one central fact: Unemployment Insurance is overwhelmingly important in the context of all social expenditures for income security. Not only is it the single most important program – as measured by its costs – but that importance is even greater if one concentrates on those programs that provide immediate benefits to members of the labour force. That is what makes Unemployment Insurance the link between economic and social policies.

Because of its importance, Unemployment Insurance cannot be modified in any fundamental way without significant effects on the rest of the income security system. Consequently, Unemployment Insurance reform requires corresponding changes in other elements of that system. This does not mean that these changes must happen simultaneously, or even that Unemployment Insurance reform must come first. What must come first is a decision regarding the role that Unemployment Insurance is to play. The implications for other income security programs can then be developed.

As in the past, social insurance continues to be the cornerstone of the social security edifice. Contributory programs producing well-defined entitlements for pensions, Workers' Compensation and Unemployment Insurance under broadly similar rules are found in all industrialized countries. The same cannot be said about other categories of income transfers. In the recent recession and the accompanying period of fiscal retrenchment, social insurance programs have suffered least.

"We would like to see income support systems restructured to become: (a) more creative; (b) free of disincentives to work; and (c) focussed on encouraging individuals to engage in productive activities." (Government of Prince Edward Island, written brief)

A review of income support programs involves addressing the "welfare trap." The introduction of a Canadian Earnings Supplementation Program, along with tax reform and the phasing-out of regionally extended Unemployment Insurance benefits, holds promise to improve substantially the lives of low- and middle-income earners.

Left to play its proper role as a social insurance program, Unemployment Insurance would still cover a wide variety of risks. Canada has traditionally favoured an extensive pooling of risks, including interruptions of employment earnings as well as job loss, and this tradition should be maintained.

Notes

1 Aside from tax expenditures, the only income security programs that provide benefits to active members of the labour force are Family Allowances, the Child Tax Credit and provincial income supplementation programs, for a total of some $4 billion, or less than half the amount spent on Unemployment Insurance. Workers' Compensation is omitted here since the bulk of these benefits goes to former labour force participants suffering permanent disability.

2 Statistics Canada, ***Income Distribution by Size, 1984*** (Cat. no. 13-207), 1986.

3 Canada, Department of National Health and Welfare, Continuing Committee of Officials Reporting to Deputy Ministers of Social Services, ***Inventory of Income Security Programs in Canada***, July 1985 update (Ottawa: The Department, 1985), pp. 64–65.

4 Ibid., pp. 63–64.

5 Ibid., pp. 112–13.

6 Ibid., pp. 118–19.

7 M. Wolfson, "A Guaranteed Income," ***Policy Options*** 7 (January/February 1986): 35–45.

8 This is Option B of the Macdonald Report. A more generous design is also suggested as Option A, where the personal income tax exemption is also eliminated and fused into the Universal Income Supplementation Program.

9 Canada, Royal Commission on the Economic Union and Development Prospects for Canada, ***Report***, Volume 2 (Ottawa: Minister of Supply and Services Canada, 1985), p. 797.

10 Ibid., p. 798.

11 Wolfson, "A Guaranteed Income."

12 Canada, House of Commons, Standing Committee on Judicial and Legal Affairs, ***Equality for All*** (Ottawa: Queen's Printer, 1985).

13 W. Nicholson, "Unemployment Insurance Financing: Lessons from the United States," research study prepared for the Commission of Inquiry on Unemployment Insurance, 1986 (unpublished).

Gail Bauman, Secretary, Regina, Saskatchewan

Ms. Bauman's experience illustrates the injustice of the current Unemployment Insurance program's regulation which prevents maternity and sickness benefits from being received concurrently.

In January 1981, I found out I was going to have a baby. The pregnancy was planned and seemingly normal except for prolonged and severe nausea which lasted into my eighth month. This nausea made working so difficult that in May I cut back my work to part time, and then I took my maternity leave at the beginning of July instead of the end of August – that is, two months earlier than I had planned.

Although I had held my government job full time for almost three years, my UI benefits were based on this part-time salary earned in my last two months . . . Because of circumstances beyond my control, my maternity leave benefits were only a percentage of a part-time salary, not the full-time benefits I feel I was entitled to.

In the last three months of my pregnancy I also began to experience a numbness in my left leg. It would come and go and, though not at that time severe, would force me to cease all activity during the few moments that it lasted. I mentioned the problem to my doctor, who thought it was probably due to the baby pressing on a nerve.

On the evening of September 3, 1981, my leg got worse and we went to the Pasqua Hospital. Hospital personnel assumed I was about to give birth and prepared me for labour, while merely applying hot water bottles to my leg to ease the ache.

Coincidentally, my labour did start that very night and my daughter was born at 7:30 a.m. on September 4, 1981. The labour and delivery were normal and I slept well that night though my leg still bothered me.

The next day, however, the leg swelled and turned red. X-rays taken three days later showed that I had a five-inch blood clot in my left thigh. I was put on blood thinners and remained in hospital for a month.

That month was a nightmare for us. Andy took a month's leave without pay to come to the hospital every day. My small UI benefits were not sufficient to pay all our bills, and so our savings started to dwindle.

When finally home I knew I would not be able to return to work as early as I had wanted to . . . The circulation in my leg was very poor and my health was broken. I applied for a further six months leave from my job and duly went to report this new development to the CEC. I was told I could not collect any more UI benefits once my maternity benefits ended. This was because I could collect sickness benefits or maternity benefits but not both. Because I was ill and not available for work, I was not eligible for regular benefits either. In effect I was penalized because I became sick as a direct result of pregnancy and childbirth.

I am still angry today at the UI system which let me down at a time when I needed the very benefits I had paid for with nearly four years of premiums. I saw them as a *right*, not a handout.

I look back and ask, why did this happen? Why are we who pay premiums each month not informed of the different types of benefits and how long each type lasts? Why are we not informed of our rights in relation to UI or of the appeal procedure? . . . The UI system effectively denies the fact that women can become ill as a direct result of pregnancy and childbirth, and divests itself of all responsibility towards those of us who do. I shudder to think what would have happened had I been a single parent or in a family which had only one income.

Most women go into hospital, have their babies, come home and continue on with their lives. But for those of us who can't and who still pay into this system, provisions *must* be made!

Four Young People

This is an excerpt from a group interview conducted by Kayro Communications Inc. as part of a study on the social consequences of unemployment.

Luc: I'm nineteen and I live at home. I don't really have much education. I have high school. I've been a busboy, a life guard. I've done a lot of under-the-table work, mostly construction, cabinet making, painting. I'm going to school right now only because I can't find a job. Maybe some more education will give me a better chance of finding one . . . Contacts is the only way I've gotten any of my jobs. I don't have any experience. No one is going to look at me.

Sue: Well, the only training that I have is in woodwork. I had a job for a month once. It was a disaster. The guy hired me on a training grant. Then he said, "I'm not going to train you on what you should have known in the first place." I've been talking to people in the industry. You get one nice job a year usually that you like. You do really awful stuff all the time. I don't know if I want to continue with the course. I don't want to end up working in a job I don't really enjoy.

Simon: My training background goes back to a paper route when I was 12. After that I worked for a pie factory, then as a busboy and as a dishwasher, delivering, a labourer in a mining camp. I made a lot of money, bought a car and stereo and things I needed for Grade 10. I was a meat truck driver for six months and got fired from my job, which was a good thing. I went to Europe. Then I landed a job as a busboy at a local hotel for six months, then as a bartender there for another six months, and after that I got a job in construction for two months. After that I got a job at the stock exchange working for seven months as phone boy on the floor of the exchange . . . Then went on UI six months and studied music and went to Europe for four months. I decided to go back to school and study music because that's really what I want to do but I went to school and I couldn't cut it. Now I'm unemployed but who wants to do the kind of work that I do to survive? It's all crappy jobs.

Lori: Well, I did babysitting and house-running, sold ice cream. Then I went to eastern Canada and worked for a large company as a typist. I hated that. So I went to the track and looked after horses. Then I went to England and looked after more race horses. I went to school for a year. Then I worked as a gardener. I went to Europe and travelled and worked as a nanny. I lived on a bursary and housecleaning and odd jobs. I guess I've been unemployed for four years. I've never been on unemployment. It gives me a bad self-image and gets me in a rut. The less I have to do with government the better. I'm going to UBC right now . . . just getting a degree . . . but I'm open to law, medicine and business. If I needed to work, I'd go find it. It might not be what I enjoy doing but I'd do it anyway.

Simon: I live at home and I think for a little while being unemployed can be very enjoyable if you use your time properly, but after a little while it gets to you.

Luc: When you're really looking for a job and you can't find one, it's the most frustrating thing I have ever experienced.

Simon: One good thing about UI is it gives you a chance to really relocate where you are. It gives you a chance to get back on your feet. That's really what it's supposed to be for. You have the money coming in, you're not freaking out worrying where the money is coming from. I'm sure it makes some people lazy, but just about any guy I know who has been on UI goes and works under the table and makes some more money.

Sue: That's mental attitude though. Maybe along with UI there should be group talks and stuff to get people out of just sitting back and accepting it . . . They always told us if we got grade 12 we would get a job.

Lori: I didn't even think about it. I grew up on a little isolated island where a lot of people there didn't need to work or weren't working because they were artists . . . I don't think school gets you a better job. I think school shows people that you can survive the system. It helps you learn what you can do with your self-potential.

Simon: And when you are looking for a job, you have something to sell and to sell yourself with. A BA in anything is better than nothing. If you're going for months without getting a job, it gets harder and harder to sell yourself. You get to a point where you can't go in there enthusiastically anymore . . . You can't just take a job for now, you have to think about what you're going to do after this job. You need long-term goals . . . There's a lot of competition from university students. Those are the people who are hustling for the jobs because they know you gotta work hard for what you want . . . Eventually most people become motivated. Most of the kids who have had parents who have worked all the time go back to school or trade school and they get full-time jobs. But the kids who are on welfare are the ones whose parents were constantly on UI or welfare.

Lori: Everybody goes through times when it's hard to cope and that's when there should be security from the government, just to help you to get out of that rut. Not just money, but talking. Like if you are on welfare, you should not be just getting money but should be going and getting counselling.

Chapter 5

Skills: A Choice of Futures

Introduction

It is generally accepted that better education contributes to a better life. Education enhances the ability to alter one's course in a rapidly changing world. While the unemployed need to improve their chances of getting into the work force, the employed need to maintain their employment in the face of changing skill demands. The inability to foresee the future with precision and certainty only strengthens the importance of being prepared.

"There are many adults out there who require upgrading training of some sort. If we ignore those people, they are going to be in and out of the labour market, Unemployment Insurance or social assistance for the rest of their lives." (City of Halifax, Social Planning Department, Halifax hearings)

The glimpse into the lives of the four young people whose conversation is reproduced here illustrates vividly the need to explore the relationship between education and employment. Their concerns raise significant questions about the relevance of education and training for the work force.

- Does a general education prepare young people adequately for the world of work?
- What kinds of skills does an unemployed worker need?
- What level of training is required?
- Who is responsible for developing a trained labour force?
- Are relevant training and education programs available?
- Is there a role for Unemployment Insurance in developing a skilled labour force?

Canada's capacity to adjust to change, particularly the kind of change that is generated by competition in world markets and by technological advances, is inextricably linked to the ability to develop an appropriately educated and trained labour force. The country needs people with skills and the capacity to adjust effectively to changing requirements. Failure to respond to this challenge will result in lost opportunities for all Canadians and will doom the least successful to a marginal existence on Unemployment Insurance and social assistance. It is therefore essential that education, training and retraining form the foundation of an integrated approach to the development of the nation's human resources.

"Very few computer programming courses are available for the number of students attending our high schools in this province. We feel that to keep up with the world system and the high technological values around the world, that we have to meet those needs and implement those types of programs in our educational system, especially at the primary level. We don't have that." (National Anti-Poverty Organization, Ottawa hearings)

The underlying premise of this chapter is that an educated work force will have a better choice of futures. A significant proportion of the unemployed have not completed high school. Investing in a strategy to help them reach that level of education is vital. Young people who have left school without completing their education face a particularly high risk of unemployment. The level of adult illiteracy in a prosperous country like Canada is alarming. The adequacy of existing programs, and of the training provisions of the current Unemployment Insurance scheme, must be questioned. Proposals must be developed which will allow Canada to enter the twenty-first century better prepared.

"There should be a planning division for training for future jobs, in occupations and skills for the future, not the past. In other words, UI should be ahead of industrial developments instead of behind them." (Conseil conjoint numéro 91 des teamsters du Québec, Montréal hearings)

The Need for Educational Reform

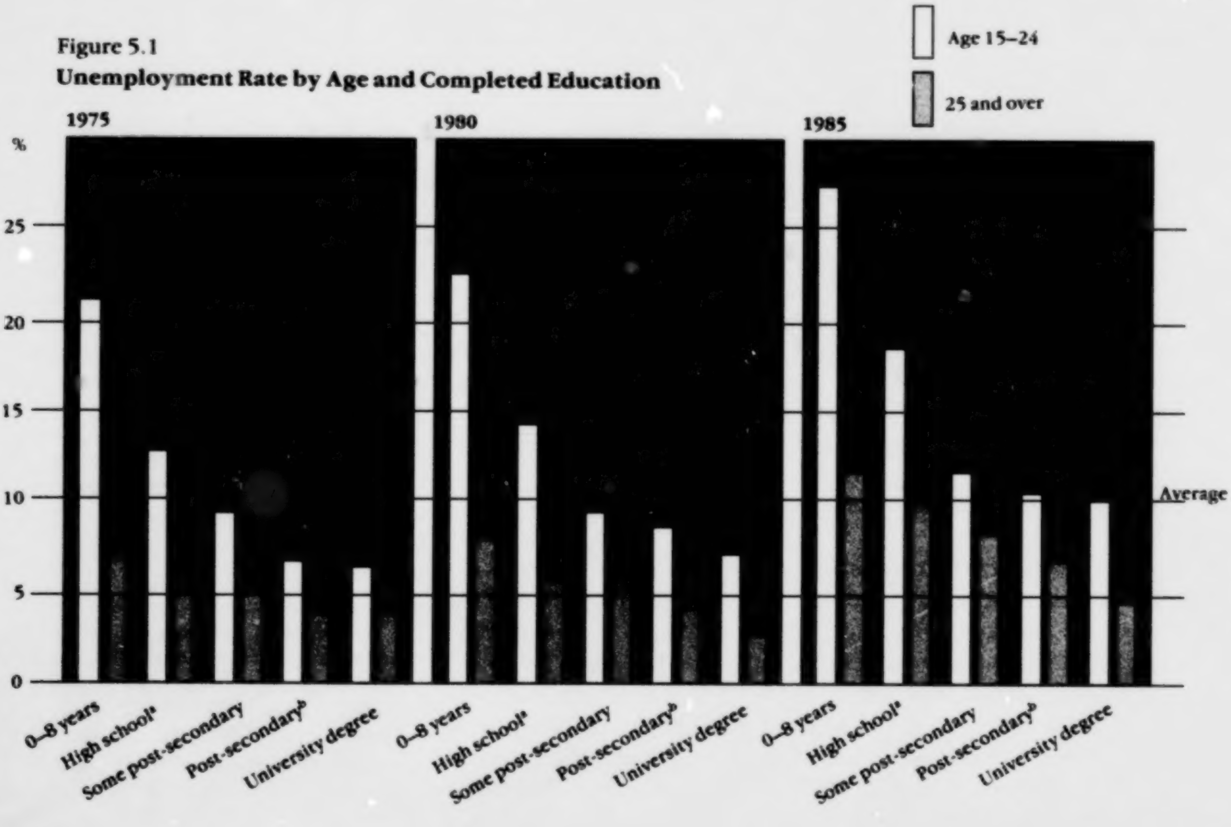
Unemployment and poverty are highest among those with the least education. While more adequate basic education and skill training will not of themselves create employment, those who are inadequately educated or functionally illiterate will find it increasingly difficult to compete for jobs and will have the greatest difficulty in retraining for new or different work.

"The average age of the recipients of social assistance is dropping like a stone. A full 35 percent of our recipients are now under the age of 24." (Regional Municipality of Ottawa–Carleton, Ottawa hearings)

What is most alarming is the number of young Canadians who are locked into this situation. The unemployment rate among youth is significant in itself. Youth between the ages of 15 and 24 account for 36 percent of total unemployment and only 21 percent of employment.[1] An even greater concern, however, is the likelihood that youth who are unemployed may remain ill-equipped to function in the labour market for many years to come. In 1986, the Senate Committee on Youth focussed particular attention on the relationship between education and employment, noting that "statistics consistently reinforce the link between education and employment; unemployment rates for young people with less schooling are much greater than for more educated peers."[2]

Figure 5.1

Unemployment Rate by Age and Completed Education



a Partial or completed.
b Certificate or diploma.

Source: Statistics Canada, *The Labour Force, December 1985* (Cat. no. 71-001), 1986, p. 89.

There is good reason to place some faith in education as a factor in reducing unemployment. Figure 5.1 illustrates the decrease in the rate of unemployment as levels of education increase. The relationship is most dramatic for those aged 15 to 24, at the start of their working lives.

The efforts of the education system must be more clearly defined and resources concentrated at the points where they are most effective. An examination of public expenditures in education and training reveals a tendency to direct resources at the high school level to programs for students who are academically successful, and at the training level to programs for high school graduates and those who are already employed. In other words, higher priority is being accorded to helping those most able to fend for themselves. Those who are disadvantaged, some because of limited abilities but many because of social and economic circumstances, are left to unstable jobs and to reliance on Unemployment Insurance and social assistance.[3]

In 1985, 75 percent of the unemployed had an educational level of high school graduation or less.[4] On average between 1976 and 1981, 37 percent of Canadians who reached 18 years of age did not have a high school diploma.[5] This dropping out of students before high school graduation is a strong criticism of the present state of secondary education. Many participants in the hearings saw grave problems in the way that the educational system prepares Canada's youth – or rather fails to prepare them – for the labour market.

This problem is not limited to Canada. In examining the future of European countries to the year 2000, the European Cultural Foundation identified the need for a fundamental reshaping of secondary education in Europe to make it less selective and less heavily concentrated on preparing students for post-secondary academic studies.[6] In Canada, as in Europe, streaming students into either an "academic" or a "vocational" program early in their schooling weakens the important role of the educational system in ensuring equality of opportunity. Requiring students to make significant choices at an early stage that will determine their future careers may relegate children from socially disadvantaged backgrounds to "practical" studies that may limit their future education and career options.[7] It is important that the direction of educational reform be toward greater flexibility. Future participants in the work force must have adequate basic skills to allow a full range of choices. The school system should provide as much flexibility as possible, so that youth may change their course without undue penalty.

Census data for 1981 show that, for those without high school diplomas or equivalent trade certificates, unemployment rates were 72 percent higher than the rates for other groups with those qualifications or better.[8] A determined effort to raise the level of schooling at the secondary level could pay high dividends.[9]

"By devoting more resources to employment and training measures in a manner complementary to provincial programs, the federal government could help many of Canada's Unemployment Insurance beneficiaries to find work." (Government of Manitoba, Department of Employment Services and Economic Security, Winnipeg hearings)

"Under the new National Training Act, priority has been given to training in the high-technology skills and access to most training programs is restricted to those who have grade 10, and more frequently grade 12. The new Act denies the participation of undereducated Canadians since it makes no provision for basic education programs to help these adults reach the required level." (Canadian Mental Health Association, *Unemployment: Its Impact on Body and Soul*, Toronto, 1983, p. 79)

"The dropout rate before graduation from high school is as high as 50 percent and that really is a bit of a shocking statistic." (Canadian School Trustees' Association, Ottawa hearings)

"The initial schooling and education systems fail to provide students with basic core skills." (Canadian Federation of Independent Business, written brief)

"I think you are well aware of the kinds of problems we have in getting native children to finish high school, let alone finish grade eight." (Saskatchewan Action Committee on the Status of Women, Regina hearings)

"Little has been done to facilitate the transition from school to the world of work for young Canadians, particularly those who lack post- secondary or vocational training and preparation. It is widely believed that Canada must do more to provide its young people with job-relevant training opportunities and a flexible skills base." (OPCAN, written brief)

"CEIC over the years has in fact provided a federal program to sponsor students in academic upgrading in order to build them up to a level where they can enter vocational training. This historical relationship is in some danger of disappearing. It is something we are concerned about, particularly in Saskatchewan, as there is a pretty high level of skill illiteracy. These people need the opportunity to upgrade themselves academically in order to be able to take advantage of training." (Saskatchewan Community Colleges Trustees Association, Regina hearings)

"There is a need to place emphasis on technical and technological training to meet future skill requirements, but this should not be done totally at the expense of other programs, including basic upgrading of workers with low levels of education attainment. A grant/levy system is a necessary response to the problem of skill training in Canada." (Social Planning Council of Metropolitan Toronto, written brief)

Students drop out of school for a variety of reasons. Some students drop out because they do not see their studies as relevant to their lives or to future work. Some drop out for economic reasons, some for personal reasons. Innumerable studies of dropouts have been undertaken, each focussing on different aspects of the problem. Whether students drop out because of poor motivation, lack of financial resources, inadequate curriculum, or the structure of the school system itself, the problem must be addressed. Failure to do so will mean that a high proportion of youth will continue to leave school without the ability to function satisfactorily in the labour force.

The question of how to encourage these students to remain in school has been successfully addressed, at least in part, by programs which provide more flexibility in choice of course, in timetable and in learning methods. Other programs using a competency-based curriculum, a more relevant curriculum (including technological content), and cooperative programs that combine work experience and studies also show promise. These alternatives are effective for some youth. Not all dropouts have the same problem, so one solution is not possible. A variety of alternatives is needed.

The process of bringing about these reforms is a challenge. The history of education in Canada is one of continuing argument and debate about jurisdiction. This poses particular concerns in the case of high school dropouts who are beyond the school-leaving age. Some provinces have considered these young adults to be the responsibility of the federal adult training authorities. The federal government has argued that they represent a failure of the school system and are a provincial problem. The result is that too few programs are provided at either level. The controversy over jurisdiction inhibits a concerted effort to improve the quality and the appropriateness of education. There is an urgent need for leadership on the part of educators and public policy makers to put aside jurisdictional considerations and to deal with the real needs of high school dropouts.

While the complexity of federal-provincial relations makes it difficult to establish educational standards that are nationally recognized and uniform across the country, Canada does have experience in achieving broad national objectives through negotiation and financial incentives. The introduction of the teaching of official minority languages in the nation's school systems may serve as a model. Where the political will exists and each level of government is sensitive to the other's concerns and interests, national programs can be implemented. The $200 million that the federal government contributes to the bilingualism program, on the basis of a commonly recognized national objective, represents an accepted intervention in the educational jurisdiction of the provinces. What has been learned from this model should be applied to the resolution of a national crisis even more critical than that of bilingualism. There is a need to establish a comparable standard of high school education across the country to ensure that all Canadians have the general base upon which to build appropriate employment skills and capacities to adjust to complex changes.

It is recognized that high school education is largely within provincial jurisdiction. The education required for a more flexible, and better trained labour force, however, knows no provincial boundaries (see box). The federal government should put forward financial incentives and invite those provinces most ready and willing to participate to enter into federal-provincial agreements to achieve that objective.

Recommendation

13 The federal government should invite provincial governments to undertake measures at the high school level to ensure that a high minimum level of education is achieved by all Canadians and that these measures emphasize:

- flexibility in program requirements;
- the acquisition of general basic skills to grade 12 or an equivalent level;
- cooperative programs that combine work and study; and
- the inclusion of technological content in all programs.

The National Responsibility for Education

Clearly some basic elements of national responsibility arise because in Canada today, as in all modern states:

- education is a right of each citizen, due to each citizen irrespective of his place of residence;
- the standards maintained by schools and universities are of national interest, because a large part of scientific-technical achievement and hence economic and social well-being may depend on them;
- unity of the educational system is of national interest, in order to maintain and guard the freedom of choice (via mobility) of citizens; and
- the educational philosophy of an educational system and the principles underlying its operation are matters of national interest, because cultural and national consciousness depend on it.

Source: Organisation for Economic Co-operation and Development, *Reviews of National Policies for Education: Canada* (Paris: OECD, 1976).

Attack on Adult Illiteracy and Innumeracy

It is disturbing to learn that many Canadians are functionally illiterate and/or innumerate – that their reading, writing and numeracy skills are not adequate to allow them to function effectively. Several studies, including one conducted by UNESCO in 1983 (see box), have indicated that 25 to 30 percent of adult Canadians do not have the capacity to read and communicate beyond a grade nine level.[10] The actual number may be higher than this, since literacy declines over time if it is not practised and many Canadians use their literacy skills to only a limited extent after they leave school.

"Functional illiteracy is a major and growing problem in Canada." (College-Institute Educators' Association of British Columbia, written brief)

"In Thunder Bay the level of functional illiteracy has been assessed to be as high as 30 percent. And in the small communities outside of here it is often quite a bit higher. So people do not understand the forms." (Kinna-Aweya Legal Clinic, Thunder Bay hearings)

The inability on the part of almost a third of the adult population to deal with language, numbers and concepts at the necessary level has considerable human and economic costs. One estimate is that the United States economy loses $20 billion annually as a consequence of illiteracy.[11] Functional illiteracy is being recognized increasingly by Canadian industry as a major concern. The Canadian Business Task Force on Literacy, whose 32 members represent such corporations as Petro-Canada, Molson Group of Companies and Abitibi-Price, has as one of its aims the promotion of awareness of this problem.

As one might expect, the level of literacy is related to the level of education. While the highest concentration of Canadians with less than nine years of education is among those 45 years and over, a significant number of young Canadians also face limited employment options because of their low educational levels. The 1983 UNESCO study indicated that approximately 1.5 million Canadians under age 44 and not enrolled in an educational institution did not have a grade nine education; 20 percent of this group were between 15 and 24 years of age. In 1985, of the 3.5 million Canadians aged 25 and over with less than a grade nine education, 1.4 million were in the labour force.[12]

"When Wayne Tebb visited a lumber camp in northern Ontario five years ago, he noticed a large number of workers were wearing bandages. Ironically, confided an embarrassed foreman, the injuries coincided with the company's new safety campaign. He went on to explain that management had been puzzled – until it realized that the workers had been imitating the illustrations on the safety posters: they had been unable to read the messages printed underneath telling them *not* to do the things shown." (Morton Ritts, "What if Johnny Still Can't Read?" *Canadian Business*, May 1986, p. 55)

From the perspective of the labour market, the lack of language and numeracy skills is a significant problem. Jobs for those who lack basic skills are rare; consequently they remain unemployed or limited to employment in unstable, low-paid jobs.

It has been estimated that the structural adjustments now taking place within the Canadian economy will require as much as 40 percent of

Literacy and Illiteracy

"Literacy may be considered as the ability to utilize effectively the communication systems of a given society at a particular time and to participate fully in the rights, responsibilities and privileges of citizenship . . . the basic 'print literacy' which until recently has been adequate for Western civilization, is being influenced and partially supplanted by the new requirements posed by technological change and the transformation of communication systems. The ability to interpret these systems, to use them effectively and productively, so that they become an enriching rather than an alienating factor, is likely to become essential in coming years. Functional literacy is thus an evolving concept.

". . . debates about literacy and illiteracy which concentrate on levels of reading and writing are misleading; the real issue is whether people possess the education and skills necessary to participate fully and productively in the life of their society. This is what functionality is about.

". . . In a country like Canada, one of the richest and most productive in history, such conditions would be disturbing even if massive efforts were underway to improve them. Unfortunately such efforts do not exist, and have scarcely been contemplated."

Source: Canadian Commission for Unesco, *Adult Illiteracy in Canada – A Challenge* (Ottawa: The Commission, 1983), pp. 2-3.

the labour force to retrain or upgrade their skills over the next five years.[13] For those who are functionally illiterate, such a forecast can mean only continuing frustration and fear. For those seeking to increase the nation's productivity and competitiveness, the existence of an undereducated segment of the adult labour force constitutes a serious barrier. These conditions will be further exacerbated as technical standards are increased, requiring even higher levels of literacy and numeracy. Thus, in addition to helping more youth complete high school, something must be done to help the more than 4 million adult Canadians who have less than a grade ten education.

Over the past decade, the United States, Britain and other industrialized countries have made substantial commitments and developed innovative approaches to the eradication of adult illiteracy and innumeracy. In Canada, no country-wide effort has been mounted. A new awareness of the crisis is developing and a national campaign to eliminate illiteracy could have considerable social and economic impact. The involvement of the labour, business, educational and non-governmental communities should be sought. The expertise of organizations such as Frontier College would help to establish a delivery network that stresses accessibility and flexibility in order to reach those who need it most (see box).

"Problems are encountered in the large urban centres by people who could not read and write when they attempted to complete Manpower forms. Where do native people turn for help when they try to collect benefits? . . . Individual recipients should be allowed to approach employers of their choice for on-the-job training in a preferred occupation. Without a preferred training option we will be a long time moving from a non-wage to a wage economy." (Dene Band, Fort Simpson, written brief)

If Canada continues to ignore the illiteracy crisis and fails to mount a cooperative and sustained effort to eliminate it, a large proportion of the work force will continue to be limited in their ability to comprehend and interact with the world around them. As part of the new Ontario Training Strategy, $25 million will be spent annually over the next five years to help individuals upgrade their primary job-entry skills and work-related literacy and numeracy skills. This initiative should be commended and might serve as a model for other provinces.

Recommendation

14 The federal government should invite provincial governments to cooperate in mounting a sustained effort to eradicate functional illiteracy and innumeracy among the adult population.

Frontier College

Since its inception in 1899, Frontier College has provided basic educational services on the geographic frontiers of Canada – the mid-North and the Arctic. While continuing to work in remote areas, the college has also initiated projects over the last few years in the social frontiers of urban Canada.

By 1919 more than 600 instructors, mainly university students, had established a pattern of working side by side with immigrant and native workers on railroad gangs and other projects during the day and providing an informal, practical education program during breaks and in the evenings. This labourer-teacher model, retained to this day, enables the teachers to establish a unique rapport with their workmates that overcomes resistance and barriers to learning.

Community educators from the college work in disadvantaged and remote communities. They are employed by the communities and the curriculum they adopt emerges from the concerns of everyday community life.

Currently the college is working in disadvantaged and native communities, railroad gangs, lumber mills, mines, fishing villages, camps for legal offenders and urban communities. The college has developed a unique expertise in the development of teaching methods and the recruitment and training of volunteer literacy tutors. In 1977 it was recognized by UNESCO for its meritorious work in literacy and basic education.

Training and Retraining

Basic knowledge and skills are a fundamental precondition of a skilled and flexible work force. The necessity for the labour force to adapt quickly and effectively to changing requirements calls for more emphasis on employment training and retraining. The effectiveness of training programs has been studied exhaustively, most recently by the Nielsen Task Force.[14] The criticisms noted in these studies were repeated by many participants at the public hearings. The new Canadian Jobs Strategy has blurred the lines between job creation and training. The training programs upon which previous evaluations were based have been subsumed by the new strategy. The new objectives sound laudable but the evidence on which to evaluate the effectiveness of the new approach is not yet available.

"... the development and continuation of the Basic Training for Skill Development courses involves the federal government in financing a program of academic upgrading for adult drop-outs of the provincial school system." (*Job Creation, Training and Employment Services*, Nielsen Task Force on Program Review)

An estimated $2.3 billion will be spent on employment training in 1985/86, the largest component of which is funded under the National Training Act (approximately $1.7 billion). Under that Act, agreements between the provinces and the federal government specify the level and type of training which will be financed by Ottawa in the occupational training field. Although the Canadian Jobs Strategy has led to a revision of the components of the National Training Program, two broad categories of training continue to be funded. They are:

"Another point about the training courses the federal government provides is that they are aimed at a more sophisticated clientele than these people I have spoken to you about. Many of our people are not ready for the level of courses the federal government provides." (Regional Municipality of Ottawa–Carleton, Ottawa hearings)

"We see the economy demanding ever more changes by individuals in their adaptation to work. That means that training and retraining will become an important part of the future." (Business Council of British Columbia, Vancouver hearings)

- Institutional Training, which supports academic courses and training within provincial schools, industries, community colleges and vocational institutes. In 1983/84, 77 percent of participants were unemployed. This program has been the major focus for training people while they are receiving Unemployment Insurance benefits. In 1984, 37 percent of institutional trainees (92,742) qualified for Unemployment Insurance benefits.
- General Industrial Training, which provides assistance to employers who initiate on-the-job training or retraining programs for their employees. A more targetted component, Critical Trades Skills, supports extended training in selected skills in areas identified as having chronic shortages of trained workers. During the past 10 years, on-the-job training has received an increasing share of federal training resources. This approach to training is commendable and effective. It serves to upgrade workers' skills and may prevent them from becoming unemployed because of "skill obsolescence."

"The very few who have taken advantage of these programs have failed to complete them due to various causes such as lack of special training institutions geared specifically to the Métis and Non Status Indian people, very few native enterprises and/or entrepreneurs willing or capable of on-the-job training of the native people; lack of sufficient native teachers who understand better the capability and ability of the native trainee." (Ontario Métis and Non-Status Indians' Association, written brief)

Previous reports, in particular the report of the Senate Finance Committee[15] and the report of the Task Force on Labour Market Development in the 1980s (the Dodge Report),[16] recommended giving priority to training in more highly skilled occupations and reducing the level of federal support for basic education and skills development.

Evidence presented at the public hearings does not support these recommendations. Employers repeatedly complained that they could not find workers able to solve problems. Many reported that they were not looking for highly skilled specialists – they needed workers with general skills, able to adapt and learn new technical skills as job requirements change.

Another criticism concerned the lack of success in targetting training programs to women, members of visible minorities, natives and disabled persons. As a result of policy directions that have shifted the emphasis in the National Training Program to occupational skills and on-the-job training, an increasing proportion of trainees in 1983/84 were male, over 25 years of age, and with more than 11 years of education.[17] While the age factor can be said to reflect demographic changes, it does not explain the increasing proportion of male trainees or their higher educational levels. One objective of the Canadian Jobs Strategy is to increase the proportion of four targetted groups – women, native people, disabled persons and members of visible minorities – in order to correct these traditional training imbalances. No strategies have been designed for the functionally illiterate and those with low levels of education. These individuals, even when they belong to a targetted group, are unlikely to overcome their particular barrier unless special provision is made for them.

"In private sector training programs, only 25 percent of training positions were assigned to women. Employers sponsor three men for every woman they train." (National Action Committee on the Status of Women, written brief)

Employers and workers are cynical about the ability of programs to train for occupations in which there are shortages. In 1983/84 almost 65 percent of trainees were registered in programs in areas of occupational surplus.[18] It is not clear how much of the incorrect matching of training to jobs is caused by incorrect forecasting and how much by failing to follow forecasts. There is widespread concern, however, that occupational forecasts currently produced are not accurate and are perhaps inadequate to the task.[19]

"In many cases over the past number of years they have trained people for jobs that don't exist." (New Brunswick Federation of Labour, Moncton hearings)

The practice of involving Local Advisory Councils representing all segments of a local labour market, and the increased emphasis on employer participation through on-the-job training, as developed within the Canadian Jobs Strategy, should lead to more effective matching of training to jobs.

"In the Territories we are training people – supposedly on the assumption that they are going to gain employment. And we find that we are training truck drivers and there are no jobs. Either there are no trucks or there is no use for the trucks. So maybe the problem is that there has got to be a relationship between training and what we are training people for." (Yellowknife Chamber of Commerce, Yellowknife hearings)

Finally, there has been criticism about the method of funding training programs. Under National Training Act agreements with the provinces, seats in training courses are purchased from community colleges and training institutions on an annual basis. This practice often limits the capacity of trainees and their counsellors to select the most appropriate course available. The Nielsen Task Force and the Macdonald Royal Commission proposed direct-to-student funding through a voucher system. Another proposal is that training funds be directed to institutions on the basis of their ability to demonstrate a 70 percent placement rate for their graduates within three months of graduation. Funding would be adjusted according to the success rate of the institution in providing relevant and responsive training. While this idea has much appeal, it would pose great hardship on institutions in areas of high unemployment. Neither of these options is therefore recommended. The current practice of seat purchase, however, is clearly unsatisfactory. If the reorientation of training and retraining programs is to be effective, the problems discussed above must be addressed.

"We specifically recommend that the Unemployment Insurance system allow and encourage functionally illiterate people and marginally illiterate people to receive Unemployment Insurance benefits at the same time as they take basic literacy, and/or English as a second language." (College-Institute Educators' Association of British Columbia, written brief)

Recommendation

15 Training programs and funding arrangements under the National Training Act should be modified to:

- assign high priority within the Institutional Training Program, or its replacement, to providing courses in functional literacy, basic training for skill development, and educational upgrading;
- recognize programs that enable functionally illiterate workers to gain basic literacy skills as a legitimate component of on-the-job training; and
- replace the current funding arrangement with one that will increase the relevance and responsiveness of training institutions to the labour market.

Unemployment Insurance and Training

Section 39 of the Unemployment Insurance Act provides benefits to Unemployment Insurance recipients who undertake full-time training (at least 25 hours per week) in courses approved by the Canada Employment and Immigration Commission. Benefits are paid at the regular Unemployment Insurance rate. If claimants qualify for a training allowance under the National Training Act, they can receive the training allowance rate or their Unemployment Insurance benefit, whichever is the greater. In addition, authorized trainees can receive benefits for an extended period to support them while they complete training and search for a job, provided the total benefit period does not exceed 104 weeks. The federal government pays for these extended benefits from general revenue. Training constitutes a very small proportion of total Unemployment Insurance activity – just over 2 percent of beneficiaries and of the amount of benefits paid.[20]

There are several concerns about the operation of Section 39. All unemployed individuals should have an opportunity to upgrade skills and improve their employability, but Section 39 has been limited in scope through the interpretation used by the Canada Employment and Immigration Commission. Consequently, the current system is administered in a fairly rigid and limited manner. In 1984/85, fully 42.9 percent of beneficiaries authorized to undertake training were involved in apprenticeships.[21] Rather than placing more emphasis on basic literacy skills, the current system heavily favours those who already have substantial skills.

Furthermore, the extension of benefits while a person is on training is inequitable. Claimants should be neither rewarded nor penalized for taking training of a certain duration. There is no reason why Unemployment Insurance benefits should be extended for training well beyond normal entitlement. In order to maintain the integrity of the insurance principle and the relationship between contributions and benefits, benefits to trainees should be paid for no longer than regular entitlements. The fact that these extended benefits are paid for from general government revenue and not from premiums does not alter the argument. The real and perceived inequity between trainees and other Unemployment Insurance recipients is the issue.

"People wanting to change skills or increase their skills should be permitted to attend a training course or an educational institution while in receipt of UI benefits." (Social Planning and Review Council of British Columbia, Vancouver hearings)

"There is the difficulty of updating one's education while on a claim. This isn't full-time study, just one or two work-related courses. Unfortunately, the only education that's recognized by the UI Commission is Manpower-approved courses, and that bypasses a lot of occupations entirely." (Charmaine Wood, Halifax hearings)

"There should be UI payments for training, but not for an extended period. Training is something that in this country, especially for our young people – you can't spend enough money on it." (Wood Product Manufacturers Association of Nova Scotia, Charlottetown hearings)

Employment training is a valuable activity, but it should not be funded directly from employer and employee premiums. The role of Unemployment Insurance should be more limited. Training should be supported by Unemployment Insurance benefits to the extent of waiving job search requirements for claimants undertaking approved programs, including literacy, educational and skills upgrading, and apprenticeship programs. Approval of the individual claimant and the program of studies would continue to be required, to avoid the possibility that Unemployment Insurance could become a general student grant program. The administration of this approval process, however, should be reviewed in light of the criticism made of its limited scope and rigid interpretation.

"The use of Unemployment Insurance to pay training allowances should be discontinued, particularly for apprentices taking technical training." (Government of the Northwest Territories, written brief)

Special mention should be made of the apprenticeship program. Several presentations addressed problems in the training of apprentices – noting in particular the inadequacy of the level of support provided by Unemployment Insurance and unnecessary delays in payments. This Commission of Inquiry considers Unemployment Insurance to have a very limited role to play in supporting claimants who pursue this training. The operation of the apprenticeship program should be reviewed by the appropriate federal and provincial authorities.

"Allowance for apprentices taking training are, to say the least, improperly handled under UI administration." (Canadian Federation of Labour, written brief)

Finally, claimants who qualify for educational and training allowances designed to cover expenses related to training (such as transportation, child care, books and equipment) should not have their benefits affected. In other words, reimbursement of such expenses should not be considered as earnings on claim.

Recommendation

16 Section 39 of the Unemployment Insurance Act should be rescinded and provision should be made to:

- waive job search requirements for approved beneficiaries undertaking approved training programs (including literacy, educational and skills upgrading);
- establish a review process to monitor these approvals;
- exclude allowances for expenses from computation of earnings on claim; and
- initiate a review of the operation of the apprenticeship program by the appropriate federal and provincial authorities.

Youth Opportunities

"Young people, especially disadvantaged youths, tend to make low wages. If Unemployment Insurance benefits are reduced, our board recommends that the government provide support for youth, especially disadvantaged ones, to assist them into training programs leading towards permanent employment." (Windsor Youth Employment Counselling Centre, Windsor hearings)

Those members of society who are currently in the 15–24 age group need special attention. The baby boom generation has already flooded into the labour market and produced high youth unemployment. While the aging of the baby boom generation means that youth unemployment will be a decreasing problem in the near future in terms of absolute numbers, options will always be needed for those young people who are ill equipped to enter the labour force or have difficulty adjusting to the demands of adulthood. Furthermore, those who immediately follow the baby boomers will find it difficult to compete with these more numerous, older and more experienced workers already established in the labour market. Therefore, there will be a continuing need to provide special programs for those in the 15–24 age group who are particularly disadvantaged.

"We must therefore encourage our youth to go afield, whether that be Australia or Halifax, Africa or Moose Jaw. Before they go, however, they must have some work experience. To this end young people should be placed in private business, or indeed the Civil Service, to the 'ex quota' so as not to disturb the existing work force, for a period of two years, with the first year wage at the minimum rate, plus 15 percent in the second. The first year would be totally subsidized by the federal and provincial governments and the second 50/50 by government and the employer." (Corner Brook Chamber of Commerce, written brief)

In an educational system primarily directed toward preparing students for higher education, those who drop out of school are offered few opportunities later. The Scandinavian countries are giving serious consideration to the notion of a "Youth Guarantee" as a response to the problems that many youth have in finding their way into employment (see box). The Scandinavians believe that a deliberate strategy is needed to ensure that *all* youth are given an opportunity to gain appropriate education and employment. The guarantee focusses on providing equal access to secondary school education; ensuring an alternative to college and university for those who need both additional schooling and a transitional experience between school and work; and the use of various forms of wage subsidies to ease full entry into the labour force.

Young people who drop out of school before graduating risk joining the ranks of those whose employment is likely to be marginal, part time and sporadic. They are prime candidates for long-term unemployment. These young people need a comprehensive program, similar to the Scandinavian one, that will allow them to attain education, skills and

Youth Guarantee – Swedish Model

All Swedes under 20 years of age who are not enrolled full time in an educational institution, are eligible for placement in either a vocational training program or in a special "youth job."

Those young people who leave school prior to graduation are placed in vocational programs designed to channel them back into regular high school.

Youth jobs guarantee four hours of work daily at union wages within three weeks of registration at the local Employment Service. Local committees comprised of unions, employers and community organizations coordinate the efforts of schools, local authorities and the Employment Service.

The "guarantee" is viewed as a major measure to facilitate the transition from school to work – a transition that is recognized as becoming increasingly difficult with the disappearance of many entry-level jobs. Many other European nations have adapted the "Youth Guarantee" model to their particular circumstances.

work experience. It should be aimed at all 15-to-24-year-olds who are high school dropouts or otherwise disadvantaged and are having difficulty in obtaining adequate employment. To be successful, a Youth Opportunities Program needs to be flexible, locally based, and to combine education and work experience. Students would be assessed when they enter the program and a learning and work contract would be developed to suit each individual's needs. The final phase of the program would be geared as much as possible to future employment and would include direct work experience. Work in community-service activities, the public service, and their own entrepreneurial ventures might all be included.

Unlike earlier youth programs such as Katimavik, a program of this type would be directed toward those youth who are the least motivated or suited to conventional schooling. The cost of the program should be considered in relation to the future costs of failing to integrate large groups of youth into the mainstream of Canadian socio-economic life.[22] For young Canadians who lack the necessary educational and employment skills for steady and satisfying work, the development of a Youth Opportunities Program would provide an alternative to unstable and low-paid work, and unemployment – an alternative to frustration and dependence. As a bridge between school and work, the program would offer an experience that parallels that of university and college. It would be targetted at those lacking the necessary academic qualifications and interest, and would give them an innovative "second chance" to develop their capacities.

"I think you would find many of our members here in Saskatchewan share the view that as a nation we have done a pretty poor job of training and redevelopment, and that perhaps in that regard the European and even the Asian countries are showing us an example. The programs on that scale, to change the skills and the ability to deal with technology, can only be coordinated through a national strategy under the jurisdiction of a ministry so charged to do it." (Saskatchewan Chamber of Commerce, Regina hearings)

At present there are a number of initiatives within the federal government directed toward youth. With the creation of a new Ministry of State for Youth it is opportune to consider the concept of a youth guarantee program similar to the one described.

Recommendation

17 The Minister of State for Youth should consider implementation of a comprehensive Youth Opportunities Program. The program would combine basic education, counselling, life skills and work experience for young people aged 15 to 24 years who do not have a high school diploma or are otherwise disadvantaged and are having difficulty entering the labour force.

Summary and Conclusions

The range of options, for individuals and for Canada, can be greatly increased through investment in education. For the individual, developing literacy and employment skills will improve opportunities in the labour market. For Canada, upgrading the basic skills of the labour force will improve the country's ability to compete internationally.

Education is a continuum of lifelong learning and experience. Within the context of a human resource development strategy, four major reforms are proposed:

- establishing a country-wide minimum level of education so as to encourage more young people to complete high school;
- undertaking a decade-long campaign to eliminate adult illiteracy and innumeracy;
- emphasizing basic training and skills development in training programs; and
- developing a Youth Opportunities Program with the objective of providing life skills, education and work experience for high school dropouts.

Over $34 billion will be spent on all levels of education in 1986/87. Elementary and secondary levels will account for 65 percent of that spending, post-secondary education for 29 percent, and vocational training for 6 percent. At the post-secondary level, 71 percent will be spent by universities and 29 percent by colleges.[23] There are always competing interests for educational resources. Discussions about the distribution of these resources must be broadened to include improvements in basic education and expansion of our capacity to retrain and upgrade occupational skills. Resources for education and training should be distributed in a manner that will ensure a better mix of education and skill levels in the labour force.

Redistribution of existing resources is not enough. The suggested mix of remedial and preventive initiatives will require additional resources. Efforts to achieve a minimum standard of education, to eliminate adult illiteracy, and to establish a Youth Opportunities Program would be appropriate uses for some of the savings generated by the proposed Unemployment Insurance program reform. Money spent on education is a wise investment.

Notes

1 Statistics Canada, *The Labour Force, December 1985* (Cat. no. 71-001), 1986.

2 Canada, Senate, Special Committee on Youth, *Youth: A Plan of Action* (Ottawa: Minister of Supply and Services Canada, 1986), p. 79.

3 Ibid., pp. 46, 74.

4 Statistics Canada, *The Labour Force, December 1985* (Cat. no. 71-001), 1986, p. 89.

5 Statistics Canada, *School Attendance and Level of Schooling* (Cat. no. 92-914), 1984.

6 European Cultural Foundation, *Education Without Frontiers* (London: Duckworth, 1976).

7 Special Senate Committee on Youth, *Youth*, p. 72.

8 Statistics Canada, *School Attendance and Level of Schooling* (Cat. no. 92-914), 1984.

9 An estimated $15.8 billion has been suggested as the cost of a systematic effort to bring all Canadians aged 45 or under with the requisite ability to the grade 12 educational level by 1995. This sum is the cost of providing an accelerated program both for those now aged 15–34 who left school before completing grade 12 and the estimated number of students under age 15 in school who are likely to drop out before graduating. If the costs are spread over a ten-year period, they would amount to approximately $1.58 billion per year.

Grade 12 was chosen as the minimum educational threshold for an advanced industrial economy. The costs are the maximum possible based on a 100 percent "take-up" rate. The actual costs would be considerably lower, since the proportion of school dropouts likely to enroll in and complete an accelerated catch-up program is unlikely to approach 100 percent.

Source: C. Forget, "Educational Policy Goals for Canada: Major Trade-Offs and Other Issues," in *Ottawa and the Provinces: The Distribution of Money and Power*, Vol. 1 (Toronto: Ontario Economic Council, 1985).

10 Canadian Commission for Unesco, *Adult Illiteracy in Canada – A Challenge* (Ottawa: The Commission, 1983).

11 Jonathan Kozol, *Illiterate America* (Garden City, N.Y.: Anchor Press, 1985).

12 Statistics Canada, *The Labour Force, December 1985* (Cat. no. 71-001), 1986.

13 Canada, Skill Development Leave Task Force, *Learning a Living in Canada: Background and Perspectives* (Ottawa: Minister of Supply and Services Canada, 1983), p. 26.

14 Canada, Task Force on Program Review (Nielsen Task Force), *Job Creation, Training and Employment Services* (Ottawa: Minister of Supply and Services Canada, 1986).

15 Canada, Senate, Standing Committee on National Finance, *Federal Government Support for Technological Advancement: An Overview* (Ottawa: Minister of Supply and Services Canada, 1984), p. 34.

16 Canada, Task Force on Labour Market Development, *Labour Market Development in the 1980s* (Ottawa: Minister of Supply and Services Canada, 1981).

17 Canada, Department of Employment and Immigration, *Annual Statistical Bulletin, National Training Program 1984–1985* (Ottawa: The Department, 1986).

18 Task Force on Program Review, *Job Creation*.

19 "In the consultation process, representatives from business and labour expressed doubts that the Canadian Occupational Projection System (COPS) of CEIC will fill this gap." Task Force on Program Review, *Job Creation*, p. 31.

20 In 1985, about 25,000 individuals received training benefits under the Unemployment Insurance program, for a total cost of $235,000, according to unpublished data provided by Employment and Immigration.

21 Department of Employment and Immigration, *Annual Statistical Bulletin, National Training Program 1984–1985*.

22 Half a million young Canadians aged 15–25 are unemployed. The 30 percent of them who have not completed high school have a greater chance of staying unemployed than their peers.

Helping these young people obtain jobs and skills as well as upgrading their education in a Youth Opportunities Program would cost about $15,000 for each participant, based upon an educational catch-up program now operating in Manitoba. If the entire backlog of 150,000 young people were cleared over a ten-year period, the total cost would likely be a maximum of $225 million a year. Based on the Manitoban participation rate, the national cost of the program would be $90 million a year.

23 Statistics Canada, *Advance Statistics of Education, 1986–87* (Cat. no. 81-220), 1986.

Gail Morriscey, Welder, Ottawa, Ontario

Ms. Morriscey is a woman who successfully used the Canada Employment and Immigration Commission's career counselling and training programs to learn skills in a non-traditional occupation and increase her opportunities in the labour market.

I've been a waitress, sales clerk, cashier . . . even worked in construction and demolition. When I was 22, I wanted to find an occupation but didn't know what to choose. I went to Manpower, took three hours of tests, and spoke to a counsellor. The counsellor exposed me to all the kinds of things I could do and told me that I could do especially well in either drafting or computers.

First I thought I'd try drafting. I upgraded my math and passed grades 11 and 12 . . . But after waiting two years to get into community college, I wasn't getting anywhere. I went to Manpower and spoke to the counsellor again and this time she got me into the INTO[a] program. From all the choices that we discussed in those classes I decided that I was interested in trades. I went into the welding shop and I guess that really struck something with me . . . I really liked it. So then I took welding under the WITT[b] program.

Now I'm a member of the women's advisory committee for the WITT and PATH[c] programs at the community college where I took the courses. We review the courses themselves, make suggestions, volunteer time a couple of times a year to help the program and people coming after us.

At the beginning of my training I worked part time as a waitress and received a training allowance. But the later programs were quite a handful . . . There was too much pressure . . . So I stopped working and collected UI.

Deciding to become a welder hasn't paid off for me financially, but that doesn't mean that all the trades are that way. I have been welding for close to two years and I'm getting to the point where it's difficult to move ahead. In Ottawa, without a union a good welder with a lot of experience would be lucky to make $9.00 an hour . . . I don't make that much. And the working conditions aren't very stable. So now I'm thinking of doing something else.

I'm still thinking non-traditional in my head, because of the schooling, the training and all the knowledge I've gained from the programs. I really am glad I took them . . . I feel I'm sort of one step ahead of a lot of other women.

I think that since I first went to get job counselling four years ago they've become very aware of programs for women and the fact that a lot more women are interested in going through for a non-traditional occupation. They were trying their best, but in my case they didn't know the programs very well. I understand that, because they send people off and they don't hear anything . . . They're at one end, the program's at the other and they don't really ever meet. They don't see the results . . . They don't get any feedback.

The counsellors were there if I ever needed to speak to them. I am glad to have had the financial support. That made quite a difference. It would have taken me a lot longer to go through things without that. But this time, I don't really want to take a training allowance or anything like that. I'd like to do it myself if I could. I feel that Manpower has helped me quite a bit and I don't want to continue relying on them to retrain me.

I recommend non-traditional occupations to other women, especially when I know they're working in dead-end jobs. I feel that I can take things that are challenging. I've got a different attitude now . . . It's more positive. I feel that I can handle a lot more.

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a Introduction to Non-Traditional Occupations.
b Women in Trades and Technology.
c Path into High Technology.

Five Women

This is an excerpt from a group interview conducted by Kayro Communications Inc. as part of a study on the social consequences of unemployment. Maria is an immigrant worker. Diane is an older woman who was recently widowed. Michèle is trained in work that is traditionally performed by men. Rachel is a single parent living on welfare. Joanne is a native woman.

Maria: My training/work background is quite mixed. The last job I had lasted for five years. It was at a neighbourhood house. I was hired because they needed someone able to speak Portuguese. I learned a lot, took workshops, courses and got an RSW certificate – registered social worker. I was underpaid, so after five years I had had it ... I quit. That was in December 1984, so I have been unemployed for just over a year. I wasn't sure what I wanted to do, so I went on UI and took my time. I enjoyed the summer. I wasn't worried. In the fall I started applying for jobs and concluded that I wasn't going to get into the social work field. I don't have enough training or experience ... I thought that maybe I should go back to school, but I had to work because I was going to run out of UI. I thought, what else can I do? ... So I started applying for different things. I have been talking to everybody I know and I haven't got anything yet. I am not aggressive ... and it seems to be getting worse, you know, the self-confidence. It's really going down ...

Diane: I find being unemployed very, very frightening ... I always have to think about my age. There are a lot of younger people ... who are better educated than I am, so I think, what chance have I got out there? ... So rather than put myself in that position, I don't go out. I hide out ... I don't go any place where I might run into someone I used to work with ... I don't want to explain anything to anybody.

Maria: You see, there are all these problems ... I see them in so many women, especially our age bracket (40's). A few years ago you could get a job and learn on the job. You can't do that any more. I never thought I would be so terrified. I was never terrified looking for work, never before.

Michèle: I went back to school last March and took a course on computer maintenance upgrading – how to repair computer peripherals, disk drives and stuff. I have applied for 265 electronics jobs since April 1984. I had 47 interviews. I have written 34 technical exams with these 47 interviews and passed them all and have not been hired ... I am considering getting out of electronics. My Unemployment Insurance ran out months ago. I worked under the table while collecting Unemployment Insurance. I am also a licensed make-up artist and I cut people's hair ... I'm doing the maintenance on a building – I do plastering and miscellaneous stuff, and I stand in for somebody else and teach for the Vancouver School Board. I teach courses on basic electricity and basic house wiring and I manage not to feel like I'm useless and don't know anything ... I have been unemployed coming up to two years. I don't know how long I expect to be unemployed. I'm asking around among my friends, because that is how people get jobs ... it's ridiculous, you don't get jobs out of the newspaper, you don't get jobs from Canada Employment.

Diane: I don't think I blame myself for being unemployed. I could do any number of things really well and become loyal to the company and produce good work. I know I'm capable of that. It's not that I'm not trying or that I'm not competent. It's that I don't fit in any category.

Rachel: I get frustrated when I think of being unemployed. I usually go to my own family and they tell me things about my skills that I need to hear and to get out of that depression that I'm feeling about myself when I'm unemployed. There is a struggle to make ends meet. You feel humiliated and you can't keep up with your friends because they are going out and entertaining themselves because they are working. You get left behind ... you hate explaining yourself. I isolate myself until I can pull myself back up and go at it again.

Joanne: The world is the way it is and we're so out of touch with the way we should be living. You have to compromise ... I don't want to work at McDonald's. I have to find something where I can fit in. I don't want to work at what I don't believe in.

Chapter 6

Options: Employment Flexibility

Introduction

The future will place increasing demands on Canadian workers to adapt to a changing environment. The resulting pressures will make it important that work arrangements become more flexible. Public policies and institutional practices will have to be modified because of the increasing participation of women in the labour force, the effects of declining birth rates, the rising number of single-parent and multiple-earner families, and the aging of the population. Unemployment Insurance must also be adapted to meet new needs arising from these trends.

"We recommend that part-time work, job sharing, flexible hours, and all types of changes to working hours be encouraged in order to offer to the active population a whole range of options adapted to modern challenges and to the new responsibilities (men finally responsible for children by choice or by necessity, women working outside the home), but providing benefits." (Réseau d'action et d'information pour les femmes, written brief)

Consideration of ways to increase the flexibility of the labour market leads to the following questions:

- How are work arrangements changing?
- Are increased job sharing and part-time work simply responses to the recession or are they here to stay?
- Will more work sharing take place to avoid mass layoffs?
- What effect will changing retirement and pension policies have on participation in the labour force?
- What are the implications of these changes for Unemployment Insurance?

The focus of this chapter is on the manner of structuring work that enables individuals to exercise greater choice and allows the labour market itself to adapt more readily to change. The need to adapt to change is emphasized throughout this report. Technological developments, evolving trade arrangements and deregulation make this need critical. Each of these developments will involve major changes in industries such as transportation and communications; and the workers in these industries, as well as those employed in declining industries, occupations or regions, will need to adapt. The Macdonald Royal Commission and other reviews have raised the possibility that the existing Unemployment Insurance system may actually retard adaptability. Regionally extended benefits, for example, may encourage workers to stay in areas where they have little chance of finding a job. Employers may use the system to subsidize temporary layoffs, knowing that the combination of Unemployment Insurance benefits and a pool of available labour will work to their advantage.

"I think the stress in the future will be on contract work and short-term jobs, not because workers want it but because that is the way it is going. We will have a higher number of people who are looking for work at any given time. Not only because of technological change and not only because of dips in the business cycle, but because people are going to be engaged for shorter periods of time. That means that UI has to develop its facilities for connecting people with work." (Women for Economic Survival, Victoria hearings)

It has been pointed out that the number of workers who remain unemployed for more than six months has increased substantially since 1980. Only those who remember the Great Depression have known long-term unemployment on the scale that is now being experienced. It is essential, therefore, that more be done to meet the need of these workers to adjust.

"In terms of mobility, I am personally very sensitive to that. I don't think one can impose a move to Alberta or Toronto on people in Cape Breton. I think it is the responsibility of government or the system to provide interesting enough proposals to entice people to make that decision. But I don't think one could cut off from benefits a guy 50 or 55 years old that will find very little opportunity to get another job, to move away from the area where his kids are living and maybe older people of his family and his milieu are living." (United Steelworkers of America, Ottawa hearings)

Long-term unemployment has a compounding effect: the longer a person is unemployed, the more difficult it becomes for him or her to find a job. The cause of long-term unemployment is generally structural – reflecting a permanent change in the labour market. For the individual, it may mean a need to retrain or relocate. Individuals who suffer long spells of unemployment are a minority of the unemployed, but they are in need of special help.

Job displacement, however, is not always a misfortune. Some workers are able to take advantage of the situation by finding a better job, undertaking training, starting a business or changing careers. The challenge for policy makers is to introduce incentives that will help, rather than impede, the process of adjustment in the labour market. These incentives should serve to minimize the cost of lost output due to idle manpower.

The objectives of adjustment-oriented options are:

- to smooth and encourage the transition from employment in declining sectors to employment in expanding sectors;
- to reduce the personal and social costs of job displacement; and
- to provide more choice for individuals in making decisions about their role in the labour force.

"There are whole communities in which labour demand is stationary or declining, while in other areas demand is rising rapidly. Thus reabsorption of the unemployed requires that large numbers of people move from the first kind of area to the second. There are cases in which movement could be accelerated and made less painful by a cash grant or loan." (Sarnia and District Labour Council, written brief)

A labour adjustment program must deal with the employment problems of the following kinds of individuals: workers with a substantial attachment to a given firm; workers in rural or less developed areas of the country; workers with inadequate education or out-of-date skills; workers in declining occupations; and older workers.

The Labour Adjustment Benefits program and the new Program for Older Workers' Adjustment, which was announced by the federal government in 1986, are intended to resolve some of the difficulties encountered by older workers. The proposed Cumulative Employment Account outlined in Chapter 7 is supplementary to such initiatives. It would enable workers to accumulate eligibility for additional benefits to help in specific adjustment situations.

"Newfoundlanders seek work intensively. They are significantly more mobile than their Ontario counterparts." (Pat Kerans, written brief)

"The government could and should provide some better coordination than they have in the past with regard to getting the worker from the depressed area to the area where the work is available." (International Brotherhood of Electrical Workers, Local 254, Calgary hearings)

Mobility Assistance

Labour displacement in declining industries and in depressed regions often involves large numbers of people. It is sometimes in everyone's long-term interest that jobs, plants or workers be relocated, no matter how painful the adjustment may be in the short term for those involved. The distressing effects of the relocation should be mitigated as much as possible.

Provisions for mobility assistance are currently included in a number of government programs: the Canada Mobility Program, Industrial Adjustment Service, the Modified Industry and Labour Adjustment Program, and the labour adjustment measures of the Canadian Industrial Renewal Program. The Canada Mobility Program facilitates the movement of individual workers who are unemployed, underemployed, or about to become unemployed. The program encourages workers to seek employment in the nearest area where suitable work is available and provides relocation assistance when suitable employment has been obtained. It also provides temporary travel assistance to accept employment that will last between six weeks and nine months (including seasonal agricultural employment), travel assistance to obtain employment services not available locally, and "day haul" (daily transportation) assistance for agricultural workers travelling to the work site. Estimated funding of the program for 1986/87 totals $10.3 million.[1] Nearly 60 percent of the total funding is for relocation expenses.

The three other programs contain mobility assistance provisions designed, with a considerable amount of overlap, to aid adjustment on either an industry or community basis. The stated objective of the Industrial Adjustment Service is to encourage employees and workers to reduce current and anticipated problems arising from a reduction of the work force *within an establishment*; the Modified Industry and Labour Adjustment Program focusses on *community* dislocation; and the Canadian Industrial Renewal Program is directed at the textile, clothing, footwear and tanning *industries*. The overlap among the various programs (the labour adjustment portions of the latter two programs are both delivered by personnel of the Industrial Adjustment Service) led the Nielsen Task Force to recommend consolidation of these services into a single program.[2] This Commission of Inquiry concurs with that recommendation.

"The application of shorter qualification periods and longer benefit entitlement periods in high unemployment areas made it relatively more attractive for workers to remain in their regions and occupations, thus discouraging labour adjustments through migration, retraining and more forceful job searches." (Surrey Regional Chamber of Commerce, Vancouver hearings)

Recommendation

18.1 All federal labour market programs that provide mobility assistance should be consolidated.

Mobility, however, is not a panacea for solving labour market problems. In an economy increasingly characterized by structural unemployment, a key policy element must be the degree of flexibility in labour adjustment. Current programs are limited in coverage and are based on community/industry characteristics. Political influence is often perceived to be a factor in apportioning labour adjustment assistance. The practice of combining industrial development and labour adjustment initiatives should not continue because mobility assistance should be based as much on the needs of the worker as on the needs of the industry. The consolidated mobility program would be improved if it had fewer criteria that limit eligibility and if it provided assistance to those who relocate to undertake training. Current mobility programs reimburse expenses and are not programs of income support. A Cumulative Employment Account, recommended in Chapter 7, would assist long-term workers who need income support while taking measures to adjust to changes in the labour market.

"We do not accept the Macdonald Commission's assertion that Unemployment Insurance has contributed significantly to unemployment in this country by discouraging Canadians from accepting jobs or from moving to areas of the country where jobs are more plentiful." (Government of Manitoba, Department of Employment Services and Economic Security, Winnipeg hearings)

Recommendation

18.2 In the new consolidated mobility assistance program:

- the industry and community basis for determining eligibility should be eliminated; and
- in addition to those currently eligible, assistance should be provided to workers who relocate for training purposes.

Flexibility in Work Arrangements[3]

"There is a pool of workers in this country who would voluntarily select the option of working part time, if conditions and benefits in all respects were equal to those of full-time workers. In particular, this is true of some employees in high-unemployment areas, or where there is limited availability of adequate child-care facilities, or for those pre-retirees who may gradually want to ease their way out of the job market." (Economists, Sociologists and Statisticians Association, written brief)

The future role of Unemployment Insurance must be seen within the context of a human resource development strategy. Unemployment Insurance is an earnings replacement program which is based on social insurance principles and provides protection against both loss of jobs and interruptions of earnings. It should, however, be adapted to encourage flexibility in the labour market. This flexibility means that other patterns of working are possible in addition to the conventional pattern of one person, one job, 9 to 5, five days a week, 52 weeks a year except for vacation. It could include work sharing, working after age 65, working part time, retiring before age 65, working less than 40 hours a week, working less than five days a week, and other arrangements. When the Unemployment Insurance program was implemented, most of these alternatives were neither of concern nor of interest to many Canadians.

Social values dramatically influence the perception of the world of work. During recent decades, important changes have occurred in the relative importance of work compared with leisure and family-centred

The 21 Work Alternatives

Group 1: Job-Related Work Alternatives

Job enrichment : A broad label for many alternatives that increase variety in individual jobs, expand the range of tasks undertaken, and extend responsibility for decisions.

Work-at-home arrangements : Formal agreement for people to do some of their work at home on a regular basis. (Not simply a temporary accommodation due to illness, pregnancy, etc.)

Cross-training : Provision for training people in skills beyond those they need in their job. The purpose of such training is to improve individual flexibility and capacity to contribute in other areas.

"Permanent" part-time jobs : Formal arrangements for people working less than full time to obtain the benefits of full-time employment.

Job sharing : Two or more people sharing a single job normally held by one.

Transition arrangements at retirement : Mechanisms for shifting people's roles on or near retirement so they can continue to make a contribution but gain more flexibility (i.e., part-time work).

Formal job rotation : System to assure breadth of knowledge and flexibility by routinely moving people through a sequence of jobs and tasks.

Group 2: Quality-of-Working-Life Alternatives

Gain-sharing systems : Any mechanism that distributes some portion of the profit from improved performance to people who contributed: i.e., "Scanlon Plan," "Improshare."

Flex time or flexible schedules : Systems giving employees some control over the starting and ending times of their jobs.

Compressed work week : Four-day, 40-hour work week or similar program.

Quality circles or problem-solving teams : Groups of employees with responsibility for solving problems or addressing specific issues in their work unit.

Joint labour-management committees : Groups involving representatives from both management and union ranks, designed to discuss workplace issues not covered by collective bargaining agreements.

Work councils or communications councils : Councils representing all levels and functions of the organization that serve as forums for communication or for discussion of issues related to the unit as a whole.

Formal training in participative management or employee involvement : Training programs designed specifically to provide knowledge and skills to reduce reliance on hierarchical authority.

Pay-for-capability/skills system : Compensation system that tracks and pays people for breadth and range of skills, whether used in their current jobs or not.

Group 3: Alternative Organizational Structures

Project team/project-based organization : Large-scale flexible systems for organizing people around specific tasks and projects. People are loosely attached to functional or permanent units; primary responsibility is held by project management.

Matrix or multiple reporting structures : Formal systems in which people are simultaneously responsible to two or more separate areas of the organization, reporting, for example, to a functional (sales, manufacturing) manager and also to a product or market manager.

Group 4: Employee Participation and Control

Semi-autonomous or self-managed work groups : Groups of employees given substantial responsibility for their work or their products.

activities, in the length of time spent obtaining an education, and in the age of retirement. Now that more Canadian workers and employers want choices in their work arrangements, the design of Unemployment Insurance should take into account their changing lifestyles. Indeed, if the entire structure of the economy is in transition, more flexible arrangements on the job may ease adaptation to a more stable and more thriving economy. In other words, more flexible work arrangements may, in and of themselves, lead to a drop in unemployment and therefore to a more efficient use of Unemployment Insurance. Conversely, if the economy fails to adapt, greater pressures on Unemployment Insurance will result.

"[We recommend] income tax deductions to persons who work for the same hourly pay for six hours a day, rather than eight hours a day, equal to the loss in gross earnings; and tax incentives for companies which allow flex-time in compatible areas." (British Columbia Federation of Labour, Unemployment Action Centre, Vancouver hearings)

Alternative Work Arrangements

In 1985, the American Management Association analyzed the alternative work arrangements used by its members in terms of their impact on individual working conditions and on organizational changes. Twenty-one work alternatives were analyzed. They included job-related work alternatives such as job sharing, work-at-home arrangements, and

Internal venture funds or entrepreneurial opportunities : Systems that provide employees with resources for developing new ideas or launching seed ventures.

Employee-owned organizations or equity participation in the firm : Programs that provide employees with the opportunity to become owners of the organization.

Parallel organization structure : System for managing change, quality of working life, or innovation issues. It involves flexible task forces and special assignments within a formalized management system that frequently includes top management. It has its own resources and accountability.

Major Findings

- *A proliferation of alternatives.* Almost half the companies studied use cross-training; more than one-third use flex time, permanent part-time jobs, and quality circles. The latter, originally designed for problem solving on the shop floor, are now also found in government agencies and public utilities. Almost 30 percent use project teams.
- *Long-lasting changes in the workplace.* Eight of the alternatives have been in place longer than five years, suggesting that these methods of organizing work are here to stay. These include cross-training, permanent part-time jobs, pay-for-capability/skills, project teams, matrix organizations, and employee ownership/equity participation.
- *A narrowing of scope.* The trend in recent years has been toward job and quality of working-life alternatives – quality circles, semi-autonomous work groups, work-at-home arrangements, and the like. These innovations are likely to have less impact on organizational change.
- *Public sector innovation.* This sector now uses more innovations, on average, than its private sector cousins – a surprising finding.
- *A curvilinear relationship between unionization and frequency of workplace innovation.* In other words, some alternatives are more likely to take root and flourish in either of two conditions: (1) no unionization, or (2) total unionization. This suggests that the middle ground – mixture of unionized and non-unionized workers – may be less fertile for workplace innovation.
- *Company size makes a difference.* Smaller organizations seem to be fertile soil for certain kinds of alternatives – work-at-home arrangements, semi-autonomous work groups, and work councils, for example. In contrast, over 40 percent of the largest companies studied offer formal training in participative management, a program found far less frequently in smaller organizations.
- *Workplace innovation relates to total effectiveness.* Certain companies which are "progressive" in introducing more alternatives (and doing so earlier) than most other firms have been seen to achieve greater profitability. Over time, there is a strong link between workplace innovation, product innovation, and superior financial performance.

Some major differences among the four groups of work alternatives are clear. ***Job-related alternatives***, which provide less employee empowerment, are certainly popular, but the alternatives are used in a limited way (by fewer employees and in only a few work sites or units). The ***quality of working-life alternatives*** seem to be spread more evenly throughout the host organizations. The last two clusters, the ***alternative organizational structures*** and ***opportunities for participation and control***, have a broader organizational scope and provide greater empowerment. They are used primarily by managers and professionals, however, and do not extend to workers at lower organizational levels.

Source: American Management Association, *The Changing American Workplace: Work Alternatives in the '80s* (New York: The Association, 1985).

transition to retirement; quality-of-working-life arrangements such as profit sharing, flex time, and joint labour-management committees; alternative organizational structures, including project and matrix structures; and alternatives for employee participation and control, including equity participation and self-managed work groups (see box). The conclusions based on this survey have relevance to the Canadian work environment because of the high degree of similarity between Canadian and American workplaces. The survey determined that over 80 percent of responding organizations already use at least one alternative work arrangement and nearly 75 percent use *more* than one.

The report concludes that the best explanation of the wide use of work alternatives is the fact that workers are dissatisfied with traditional arrangements. That dissatisfaction is the result of pressure from an increasingly competitive environment and of the constraints imposed on experimentation with innovative work methods. Caught in a broad stream of social and economic change, businesses can no longer count on established practices as the best antidote to current ills.

The variety and benefits of work alternatives, however, are not yet sufficiently understood. Paradoxically, the very success of work alternatives has led to reluctance to share results, ideas and experience outside the organization. This reluctance limits the opportunity for others to be informed and to take advantage of these innovations.

"Part-time work is on the rise in Canada. Most part-time workers are women. For some, part-time work is the best choice because of the myriad responsibilities required by their home lives. For many, part-time work is the only kind of work that is available, considering their marketable skills. These women are in areas such as sales clerks, bank tellers, secretarial work, cleaning." (Canadian Congress for Learning Opportunities for Women, Regina hearings)

Some of the work alternatives – part-time work, job sharing, and compensated work sharing – have direct implications for employment income and consequently for the Unemployment Insurance system. Part-time work means working for fewer hours per week than those normally scheduled for persons performing similar work.[4] Job sharing involves two or more workers sharing one full-time job. Compensated work sharing refers to a situation where, for example, a plant has work for 600 employees but has 800 on the payroll. If the 800 are retained but each works 25 percent less and is partially compensated through the Unemployment Insurance program, that would be compensated work sharing. Job sharing involves permanent restructuring of a single full-time job into two or more part-time jobs (or any variation involving a number of full-time jobs being restructured into a greater number of part-time jobs). Interest in job sharing has increased recently in response to the needs and preferences of working parents and those who want partial retirement.

Part-Time Work

Part-time employment has been increasing rapidly over the last decade, as the recent report of the Commission of Inquiry into Part-time Work has confirmed. In 1985, over 1.7 million persons held part-time jobs in Canada – 15.5 percent of total employment. Corresponding figures for 1976 were 1.0 million or 11 percent of employment.[5] The trend toward part-time work is expected to continue.

"There are some real shortcomings in the UI Act in the way it provides benefits to part-time workers. The majority of people who work part time are young people who are trying to break into the labour market and women who are trying to re-enter the market. And in the North there may well be a higher percentage of native people in part-time work as well." (Northwest Territories Federation of Labour, Yellowknife hearings)

The Labour Force Survey defines part-time employees as persons who usually work fewer than 30 hours per week. Excluded from this classification are a small group of occupations – airline personnel, truck drivers and entertainers, for example – in which persons normally work fewer than 30 hours per week but their jobs are essentially full-time in nature. In addition, for purposes of defining the part-time labour force, part-time employees who seek full-time work are excluded.

To a large extent, institutional constraints within the tax system, employment standards legislation, and the administrative practices of bodies like labour relations boards make part-time or job-sharing options less attractive. Unemployment Insurance, for example, predisposes employers and employees toward layoff rather than reduction in hours as a means of responding to temporary reductions in demand for labour, because (with the exception of formal work-sharing plans under Section 37) benefits are payable if employment ceases, but not if working time is reduced.

Employers often impose penalties on part-time workers. Part-time workers may be paid less than full-time workers for identical jobs, be unable to accumulate seniority, and have fewer fringe benefits or opportunities for promotion. In addition, the administrative practices of some labour relations boards specify that there be separate bargaining units for part-time employees.

These issues are particularly important to women, who comprise 72 percent of all part-time workers. The majority of male part-time workers are under age 25, and only in the 65-and-over age group does their number exceed that of women.[6]

The definition of part-time work used by the Labour Force Survey tends to underestimate the "job tenure" of part-timers (that is, the length of time they remain in the same position). Of the 1.8 million part-time workers in Canada in 1981 (whose total earned income was gained only from part-time work), 72 percent received wage and salary income of less than $5,000 per year. Another 20 percent earned between $5,000 and $10,000, and a small proportion earned more than $20,000.[7]

Where does this money go? A popular stereotype is that most part-time workers are either married women with husbands earning comfortable incomes or students supported by their parents. Earnings from part-time work, according to this view, provide the extras that individuals and families can easily manage without, and consequently the loss of a part-time job would simply mean being without some luxuries. On the contrary, most part-time workers contribute a substantial share of total household income (see Figure 6.1). Since the great majority of these workers earn no more than $5,000 per year, it is evident that, in most cases, total household income is relatively low. Earnings from part-time work are needed for essentials, particularly in families with dependent children. Loss of a part-time job can mean real and severe hardship.

Related to the impression that part-time workers work for "pin money" is the belief that many of them are actually "moonlighting" in a second job. There is no strong evidence to support that argument. In 1985, multiple job-holders generated only 1.3 percent of total hours worked per week. Furthermore, multiple job-holders who worked more

"Where people work on-call, or in seasonal jobs, job tenure reflects only the most recent spell of employment. The part-time retail sales clerk who works in each of the seasonal retail peaks at the same store for over 20 years, and the part-time nurse who works on-call or on summer relief at the same hospital for over 20 years, may both be recorded as having less than one year's job tenure in each of the 20 years in which they worked." (Commission of Inquiry into Part-time Work, *Part-time Work in Canada*, Ottawa, 1983, p. 62)

"The Retail Council has argued for some time that identification of part timers who qualify for UI should be based on a specific number of hours of work for a continuous period of one year or more. This is the most significant test of their durable attachment to the work force, not a minimum income figure which may or may not reflect regular and continuous work." (Retail Council of Canada, written brief)

"And here we are, in 1986, still faced with the old myth that women do not really need the income that they earn; that they work to buy themselves 'baubles'; that they can always count on a man to keep them! On the other hand, it is well known that the number of poor Canadian families would double if married women withdrew from the labour market." (Action-travail des femmes, written brief)

"The notion that the social safety net and the increasing participation of women and wives and the advent of two-earner families reduces the need for full employment policies is a myth. Unemployment imposes immense hardship on the unemployed." (Social Planning Council of Metropolitan Toronto, written brief)

Figure 6.1

Income from Part-Time Employment as Percentages of Total Household Income from Paid Employment, 1981

Part-time workers	Men	Women
All ages	28%	20%
15–24 years	25%	14%
25–44 years	68%	25%
45 years & over	57%	23%

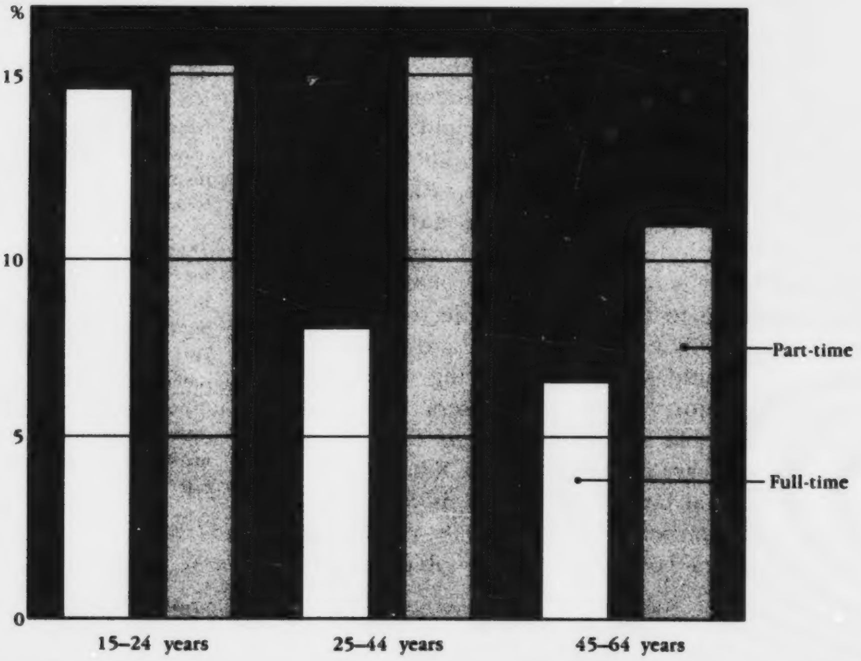
Note: Total number employed part-time at some time in 1981: men, 868,000; and women, 1,564,000

Sources: Canada, Commission of Inquiry into Part-time Work, *Part-time Work in Canada* (Ottawa: Minister of Supply and Services Canada, 1983), p. 64.

Figure 6.2

Unemployment Rates for Persons Who Last Worked Full Time or Part Time, 1985

(Annual averages)



Source: Statistics Canada, special tabulation.

than 40 hours per week in all jobs and who may be considered "moonlighters" are less than one in six of all workers with part-time jobs.[8]

Figure 6.2 indicates the unemployment experience of part-time workers. Unemployment rates for all age groups are higher for part-time than for full-time workers. In many cases, part-time workers do not receive Unemployment Insurance benefits when they lose a job or are temporarily without earnings. Unemployment Insurance regulations require that a person must have worked at least 15 hours for the same employer to be eligible for coverage; 6.6 percent of all workers (40 percent of part-time workers) in 1985 were ineligible for Unemployment Insurance benefits because they worked fewer than 15 hours per week (see Figure 6.3). The average part-time employee works only about 14 hours per week.

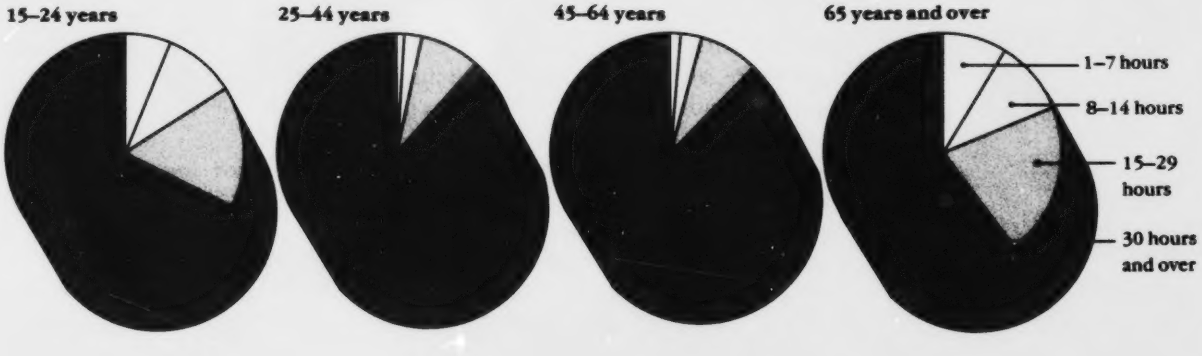
"Unemployment Insurance coverage should be expanded to cover all part-time employment in recognition of its growing importance and in recognition of changing work patterns." (Government of New Brunswick, Fredericton hearings)

This requirement means hardship for the many families that depend on part-time earnings for basic necessities. It is also unfair. A person who

Figure 6.3

Hours of Work by Age, 1985

(Annual averages)



Number of Employees by Hours of Work, by Age Group, 1985

(Annual averages)

Age group	Part-time jobs[a]						Full-time jobs (30 hours and over)		Total	
	Ineligible for Unemployment Insurance				Eligible					
	1–7 hours		8–14 hours		15–29 hours					
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
15–24	143,100	1.3%	237,600	2.1%	383,000	3.4%	1,624,900	14.4%	2,388,600	21.1%
25–44	77,200	.7%	133,400	1.2%	472,200	4.2%	5,208,700	46.0%	5,891,500	52.1%
45–64	47,000	.4%	76,800	.7%	240,200	2.1%	2,483,500	22.0%	2,847,500	25.2%
65 & over	16,100	.1%	17,900	.2%	39,000	.3%	110,800	1.0%	183,800	1.6%
All ages	283,400	2.5%	465,700	4.1%	1,134,400	10.0%	9,427,900	83.3%	11,311,400	100.0%

a Statistics Canada definition of part-time jobs.

Source: Statistics Canada, special tabulations.

regularly works 14 hours per week over 50 weeks will have worked 700 hours by the end of the year. So will a person who works 35 hours a week for 20 weeks. On what basis can the latter be said to have a stronger labour force attachment than the former? Why should one be covered by Unemployment Insurance and not the other? Is the income of the full-time worker more "habitual" than the income of the steady part-time worker? Whose income loss is the greater in the event of unemployment? Why is one eligible for income replacement and not the other?

"We urge the elimination, or at the very least the reduction, of the minimum levels of weekly employment required for part-time employees to qualify for participation in the UI program." (College-Institute Educators' Association of British Columbia, Vancouver hearings)

A review of these issues and of the trend toward increased part-time work has led to the conclusion that current eligibility rules are unfair and out of step with future trends. The regulations which prevent workers from accumulating the hours that they work for different employers also seem unfair. Administrative convenience appears, in these cases, to have overridden a key principle of social insurance – namely, to provide the widest possible coverage.

Changing economic and social demands will require greater flexibility in the way in which work is organized. In Chapter 7, a reform of the Unemployment Insurance program is proposed that would use an annual rather than a weekly basis for determining maximum insurable earnings. Eligibility for benefits would be based on a minimum entrance requirement of 350 hours of insurable work in the previous 52 weeks. The idea is to increase the flexibility of the Unemployment Insurance program and at the same time to tie benefits more directly to labour force attachment. Under the proposed program, it would no longer be necessary, at least in theory, to define minimum eligibility in terms of hours of work in a week. In principle, all hours of work should be covered.

Extending coverage to every hour of work and including every worker may, however, create administrative problems and cause additional costs particularly for small businesses. The Wallace Commission of Inquiry on part-time work and the Boyer Committee on equality rights both recommended a reduction of the current minimum requirement of 15 hours to 8 hours of work per week.[9] That recommendation received considerable support during the public hearings. The principle that all hours of work should be covered, if it is feasible to do so, should not be overlooked simply because of the potential problems that might be created. For practical reasons and in keeping with the proposals to phase in the new program, described in Chapter 7, it would be appropriate to extend the coverage of part-time workers, starting with those working 8 hours per week. The feasibility of covering every hour of work by a regular part-time worker is a question that the Canada Employment and Immigration Commission should pursue.

Recommendation

19 Unemployment Insurance coverage, in principle, should be extended to all part-time workers, but first of all to those who work a minimum of eight hours per week. Workers should be allowed to accumulate hours of work in order to become eligible for coverage. The administrative feasibility of covering all hours of work, including work for different employers, should be examined by the Canada Employment and Immigration Commission.

A supplementary statement by Commissioner R.F. Bennett regarding Recommendation 19 is contained in Part V of the report.

Compensated Work Sharing

Compensated work sharing is intended to preserve employment through the avoidance of layoffs, at least in the short term. ***Compensated work sharing*** is a temporary arrangement and is distinct from permanent, voluntary measures referred to as ***job sharing***. Under compensated work sharing, a prorated share of the regular weekly Unemployment Insurance benefit is paid to those workers whose normal hours are reduced by a formal agreement. The arrangement is part of the regular Unemployment Insurance system and is a logical extension of the more familiar "partial" benefit paid to workers who do a limited amount of work while they are unemployed (earnings on claim).

"The forestry sector has made use of work-sharing programs, and supports the concept with one qualification: Unemployment Insurance funds used to support work-sharing programs should not be used to remedy long-term structural problems, such as maintaining unproductive plants in operation." (Canadian Pulp and Paper Association, written brief)

The current compensated work-sharing arrangement, under Section 37 of the Unemployment Insurance Act, was introduced in January 1982. It permits Unemployment Insurance benefits to be paid when the work week has been reduced in order to prevent layoffs. The program involves a formal agreement which is intended to facilitate temporary adjustment and which cannot last longer than nine months. The usual eligibility requirements apply, and if the participants subsequently lose their jobs their eligibility for conventional Unemployment Insurance benefits is unaffected. In 1982 and 1983, the work-sharing program of the Canada Employment and Immigration Commission involved 14,500 firms with 275,000 employees, and averted layoffs of 122,000 persons. On average, work-sharing arrangements lasted 24 weeks. The average work-time reduction per worker was 30 percent or 1.5 days per week.[10]

International experience in work sharing has been limited largely to recent periods of economic downturn. A program of this sort has existed in Germany since 1927, however, and is characterized by greater simplicity and lower administrative costs than the Canadian scheme. In the United States some states have introduced work sharing modelled on the 1978 California plan. That plan differs from the Canadian work-sharing scheme in several respects.[11] In California, both temporary and permanent work reductions are eligible for work-sharing benefits, though conventional Unemployment Insurance benefits, if subsequently paid, are reduced by the dollar value of benefits drawn throughout the work-sharing period. A further distinction arises because the California Unemployment Insurance program makes use of experience rating. Negatively rated employers (those on whose behalf benefits paid out exceed their contributions) are discouraged from participating in work sharing by the imposition of an additional Unemployment Insurance tax. The California work-sharing scheme is much smaller in scope than the Canadian. With a labour force approximately equal in size to Canada's, the California program in 1980 involved only 714 firms and 16,000 employees (less than one-twelfth the number of firms and employees participating in the Canadian scheme during its first year of operation). The California program began in 1978, at a time when unemployment was declining, whereas the Canadian program was introduced in the midst of a severe recession.

"Our experience with work sharing during this period was generally favourable. In smaller plants in particular, it allowed us to avert layoffs and the employer to retain a skilled work force. With appropriate safeguards as they now exist, we feel that the work-sharing program should be retained as part of the UI Act." (International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), written brief)

"We view work sharing somewhat differently. We wish, above all, that there were no need for such programs, but our experience has been that many of our members benefitted from these initiatives. For the time being at least, while unemployment levels are so high, we recommend preserving the program." (Amalgamated Clothing and Textile Workers Union, Toronto hearings)

"We are alarmed, for instance, at suggestions of dividing work more equitably. Simply spreading what jobs there are among more people is not creating more employment. It is creating more unemployment, though only on a part-time basis. Such job-sharing arrangements are never proposed or undertaken with the same standard of living for the participants. Job sharing means wage sharing and may mean no benefits at all." (Canadian Union of Public Employees, Vancouver hearings)

The major benefit that employers gain by instituting work-sharing schemes rather than layoffs is that there are no rehiring costs when full production is resumed. In addition, work sharing means a greater reduction in the total wage bill because the wages of all employees are lowered proportionately, while a layoff affects mainly the employees with the least seniority and lowest wages. On the other hand, employers' administrative and reporting costs are somewhat higher, as are fringe benefit costs.

The effects of work-sharing plans on productivity are difficult to determine, although a 1983 survey concluded that "53 per cent of the firms believed productivity under [work sharing] was higher than it would have been had lay-offs occurred . . . In addition, some firms . . . believed that [work sharing] had prevented the unit or plant from being shut down altogether."[12] An analysis of the work-sharing program carried out by the Department of Employment and Immigration in 1984 estimated that benefits exceeded costs by some 30 percent.[13] Attempts by others to include the effects of productivity and the social costs of unemployment in the analysis reveal a still higher ratio of benefits to costs.

Considerable evidence has now been accumulated that suggests fairly widespread support for work-sharing arrangements. In a recent study conducted for the Canada Employment and Immigration Commission, 94 percent of the employees who participated in work sharing expressed satisfaction with the program and willingness to participate again, and 81 percent of participating employers responded positively.[14] Most of the negative evaluations by employers were related to administrative requirements that were perceived to be needlessly complex.

During the public hearings, a range of views on the subject of alternative work arrangements was expressed. Many were in favour, but others argued against the work-sharing concept. On balance, the work-sharing provisions of the Unemployment Insurance Act (Section 37) are considered to be a favourable alternative to layoffs in the face of temporary downturns.

Recommendation

20 The current work-sharing provision in Unemployment Insurance should be retained, and an internal review should be undertaken in order to streamline procedures and reduce administrative and compliance costs.

Shorter Work Weeks and Work Years

Since the end of World War II, the proportion of a worker's life spent in the labour force has declined substantially. This fact is largely a reflection of a preference for increased leisure as real wages and real incomes rise. The major feature of this reduction in work time has been the shorter work year. Since 1949, holidays in the manufacturing sector have increased from 6.9 days to 11.1 days per year, and annual vacations have risen from 2.3 weeks to 3.6 weeks per year.[15]

"You asked the Board how you can eliminate some of these problems. Number one, it's a shorter work week: abandoning overtime gets more people working." (New Brunswick Federation of Labour, Moncton hearings)

The extent to which a decline in the work year will continue in the future is unknown, although some international developments are of interest. In France, for example, a 1982 initiative increased the minimum annual paid vacation to six weeks, and in the Netherlands increases in workers' vacations have been negotiated in many instances.[16] In Canada, vacation benefits have increased significantly in recent years. Substantially more employers provide annual paid vacations of three or four weeks after one year of work. For employees with 10 to 25 years of service, paid vacations of four, five or six weeks are increasingly common. The proportion of collective agreements providing five weeks of vacation after 20 years service, for example, increased from 33 percent in 1978 to 63 percent in 1985.[17]

"I think that instead of working 40, or 45, or 50 hours, as some Canadians do now because they have a second job, perhaps someone should say, 'From now on, you are going to work 30 hours and you are going to be subsidized through programs like UI to make up the other 10 hours'. Then more Canadians would be put to work." (Mr. Comeau, Newcastle hearings)

A 1978 survey by the U.S. Department of Labor found that 59.3 percent of respondents expressed a desire for some form of alternate work arrangement, corresponding to a 4.7 percent reduction in total work time (with a proportionate reduction in income).[18] Although this percentage is small relative to total work time, it is estimated that the increase in employment that might be generated by a similar scheme in Canada could lead to a 2 percent reduction in the unemployment rate.

"The general reduction in work time to a standard four-day, 32-hour work week with no loss in pay, or an increase in vacation entitlement to four or five weeks could stimulate a tremendous increase in employment and subsequently in aggregate spending." (Alberta Federation of Labour, Calgary hearings)

While there appears to be a long-term tendency to reduce work time through increased holidays and the growing relative importance of part-time work, the evidence with respect to the shorter work week is contradictory. There seems to be an important distinction between what people do and what they say in this regard. Figure 6.4 shows that the reduction in the normal hours worked in Canada that has occurred in the past decade is entirely the result of the greater relative importance of part-time workers. Full-time employees have consistently worked on average 41.5 hours a week. In the United States, the average work week in manufacturing has remained constant since about 1946.

"It is estimated that 189,000 new jobs could be created in Quebec alone if the legal work week were reduced to 35 hours." (Action chômage Kamouraska inc., Québec hearings)

A recent survey by the Conference Board of Canada found that more than 57 percent of working Canadians would consider changing the number of working hours if there was a proportionate adjustment in pay.[19] This survey also found that:

- There is more interest in reduced work time among union members than among non-union employees.
- Interest in reduced work time rises with the level of income. Within each level of income, interest rises with the level of education. Interest in reduced work time varies among age groups and is greatest among the 25–44 age group.

"Provide the option for a four-day work week." (National Council of YMCAs of Canada, written brief)

"They should be forced to say, 'Okay, there's a shortage of jobs. You can't lay guys off. You've got to keep some of the work force on, no overtime'." (R. Van Embden, Sudbury hearings)

- Interest in reduced work time varies among industries, ranging from 25 percent in trade to 45 percent in utilities.
- The most popular way to reduce work time is to work fewer days each week. Leisure and family interests were most frequently cited as reasons for reducing work time.

Although some workers expressed a high level of interest in shorter working hours, the amount of additional employment that would be generated in this way is questionable. The reduction in hours for each individual would have to be substantial (such as a change to a four-day week), since smaller reductions are believed to be largely offset by increases in productivity. Studies in France and other European countries indicate that between 30 and 70 percent of a work week reduction is offset by a corresponding increase in productivity.[20]

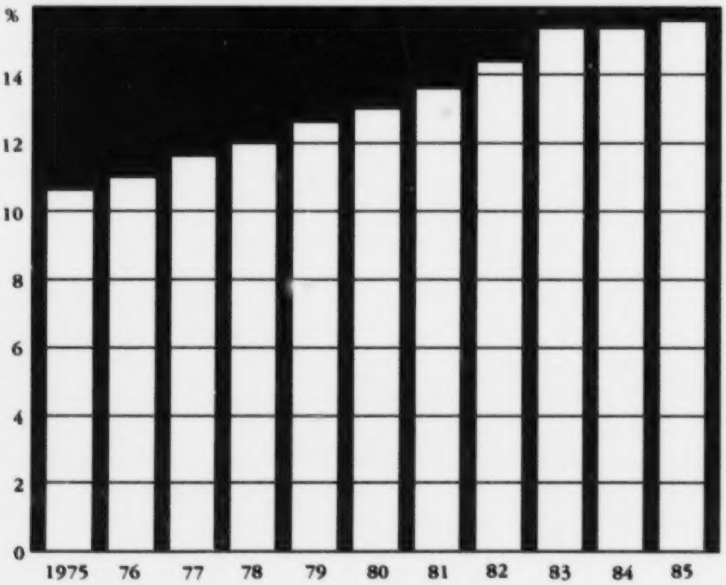
"Most people in the labour movement believe that because productivity has increased so much in the last 40 years it should be possible and may even be necessary to further shorten the work week without loss in pay in order to achieve full employment." (Victoria and District Labour Council, Victoria hearings)

A reduction – even a legislated reduction – in work time or a ban on overtime work is frequently recommended in response to the fear that technological change will generate massive unemployment unless the increased productivity is offset by a reduction in work time.[21] Several studies dealing with the impact of technological change on employment levels were reviewed. The worst plausible outcome over 10 to 20 years would be a total cumulative impact of technological change on employment levels of between 5 and 10 percent (see box). It seems that a very modest reduction in working time would be entirely sufficient to absorb the required reduction in employment and spread it over the entire work force.

Figure 6.4

The Shifting Relative Importance of Part-Time Work, 1975-85

Part-time employment as a percent of total employment.



Source: Statistics Canada, *The Labour Force* (Cat. no. 71-001), various years.

Technological Change and Employment

Many studies have examined the impact of technological change on employment. Only a few are reviewed here. In general, these studies make no firm predictions as to the significance of that impact. Conceptually, anything can happen because new technologies can emerge with unprecedented effects; in practice, future technological change will probably be along the lines of past change.

Wassily Leontief has examined the question in two studies on Austria and the United States. In each case, scientific and engineering data are used to modify input/output coefficients in models for those economies, so as to reflect the most up-to-date technology that could be expected in 1990 as compared to the technology of the mid-1970s. The impact on employment in Austria is a reduction of 10 percent. For the American economy, the impact of technological change over a 17-year interval is of the same order, namely 12 percent. In both cases (but more so for the United States), the increased demand for equipment-making industries resulting from technological change is taken into account but nothing else is, a very important omission being the impact of aggregate demand on the country's competitive position. (W.W. Leontief, "The Distribution of Work and Income," *Scientific American* 247 (September 1982), pp. 188–204.)

A study conducted on behalf of the Ontario Task Force on Employment and New Technology examines many alternative scenarios looking at whether productivity increases are reflected in lower prices, whether wages and salaries are adjusted upwards, whether governments pursue expansionary policies, and so on. The most optimistic scenario anticipates a 2 percent increase in employment, while the most pessimistic scenario anticipates a 5 percent decrease in employment over a 10-year period with a 1.5 percent annual rate of increase in productivity. (Ontario, Task Force on Employment and New Technology, *Report*, Toronto: Government of Ontario, 1985.)

In a study for the Senate Committee on Youth, Dr. John B. Robinson of the University of Waterloo used a simulation model to estimate the impact of an increase in productivity growth from the 1970s' average of 0.7 percent a year to 1.9 percent. He finds that the employment level would be reduced by 6.6 percent in 2000 and by 10.5 percent in 2020. (John B. Robinson, "Doleful Projections: Some Long-Term Employment Scenarios Using the Socio-Economic-Resource Framework," Waterloo: University of Waterloo, 1985.)

A study by Employment and Immigration Canada uses a methodology similar to that used by Leontief for the United States and Austria in a retrospective study of input-output coefficients for 1971 and 1979, interpreting the change in coefficients between these two years as technological change. Adjusting for the impact of changes in the composition and volume of demand, the impact of technology is estimated as a gross loss of 626,000 jobs, or 8 percent of total employment over that period – a loss, however, totally compensated for by a rise in aggregate demand. (Sunder Magun, *The Effects of Technological Change on the Labour Market in Canada*, Ottawa: Department of Employment and Immigration, Strategic Policy and Planning, 1984.)

"I think what you have to look at is the amount of overtime last year, because there are people not working in this town and there are people that are getting overtime. Where do you balance it out?" (Burlington Chamber of Commerce, Hamilton hearings)

"I believe that the whole matter of working more closely with the unions . . . to cut down or eliminate overtime, will create many, many jobs, some of them relatively highly paid jobs." (Social Planning Council of Kitchener–Waterloo, Toronto hearings)

The wisdom of attempting to shorten working time by banning or taxing overtime is questionable. If the shortening of working time were not reversible, it would only aggravate the long-term labour deficit that is anticipated after the turn of the century, when there will be a high proportion of older people in the Canadian population. If the returns from increased productivity are dissipated by increasing leisure time, less or none will be available to reduce the cost of goods and services produced in Canada compared with those produced abroad. The deterioration of the trade balance that this implies might then reduce employment in Canada by as much as or even more than productivity growth itself. In an open economy like Canada's, the growth of productivity is probably less important than the rate of the increase relative to that of other countries. If Canadian productivity grows more rapidly than that of competing nations, costs in Canada will fall relative to theirs and the trade balance will improve sufficiently to create more jobs than are destroyed by the growth in productivity.

The question of reducing working time is one that cannot be finally settled for all industrial sectors or all firms. The competitive position of each firm and each industry in its domestic and international market will determine the extent to which productivity improvements can be translated into shorter working time, on an annual or weekly basis, without loss of market.

The trend to shorter work years and work weeks in order to contribute to lower unemployment rates and respond to the desire of workers to assume other responsibilities is to be supported in the short run. Caution is required regarding the long-term effect. A legislated shorter work day or week, once established, would be very difficult to reverse. These trends should be allowed to develop without legislative interference, and should be guided by both short-run and long-run considerations.

Recommendation

21 Flexibility in work time should be encouraged but shorter work days, weeks or years should be negotiated by individual firms and industries rather than being established by legislation.

Choices in Working Life

Flexibility in Retirement

Mandatory retirement at age 65 has come under heavy fire because of the equality provisions of the Canadian Charter of Rights and Freedoms. While it is difficult to assess the potential impact of the abolition of mandatory retirement, findings published by the Conference Board of Canada in 1979 suggest that by far the majority of workers retire for reasons of personal choice or poor health.[22] In any given year, only about 25 percent retire because they have reached a maximum age or length of service.

> "If the impact of technological change is going to be addressed in a meaningful way, we have to look at shortening the work week and the amount of time one spends in the active work force over one's life. Early retirement, in our view, is an important immediate step that could be taken." (Confederation of Canadian Unions, Vancouver hearings)

The federal government, in its Response to the Parliamentary Committee on Equality Rights, expressed a commitment to facilitate flexible retirement. These measures will include changes to the Canada Pension Plan to provide actuarially adjusted benefits for retirees between the ages of 60 and 70. That arrangement is already in effect in the Quebec Pension Plan.

This new flexibility is not confined to public pension plans. Provincial legislation regulates private pension plans. Changes are being contemplated, particularly in Ontario, that would compel private pension plans to offer a retiree the choice of taking a pension at any time in a ten-year interval beginning five years before the "normal retirement age" and terminating five years later. As in public plans, that would entail an actuarial adjustment to the amount of the pension.[23] Moreover, any person going into retirement would have the option of postponing the receipt of pension income for up to five years, with an actuarial adjustment to the monthly amount payable. It is likely that similar legislation will be in force in all provinces within a few years.

> "It is our suggestion that optional retirement at the age of 55 years be available to all Canadians." (Fredericton Anti-Poverty Organization, Fredericton hearings)

> "To create more jobs we must look at reducing the retirement age to, say, 55, and transfer some of the cost of the UI program to the Canada Pension Plan and other pension programs so that there are no penalties to the individual for this early retirement." (Corner Brook Chamber of Commerce, written brief)

The increasing flexibility in retirement and pensions relates not only to the *age* when retirement takes place but also to the *level* of pension income that an individual will receive. The expansion in personal choice in arranging one's life involves several implications for many income security programs.

Under the current Unemployment Insurance plan, those over 65 do not pay premiums and are not eligible for benefits. Upon reaching age 65, they are eligible to receive a "retirement benefit" equivalent to three weeks of regular benefit. It would appear to be consistent with the anti-discrimination provision of the Charter of Rights that the upper age limit for eligibility for Unemployment Insurance be removed. Then workers over age 65 would continue to pay premiums and be eligible for regular benefits, subject to the qualifications outlined in Chapter 8. The three-week retirement benefit would no longer have a raison d'être, since it is payable in lieu of regular benefits when a claimant reaches 65.

> "The most glaring disparity in the UI Act is the fact that anyone retiring at age 65 is eligible for a one-time lump-sum payment equivalent to three weeks of benefits, while a person electing to retire early is denied any benefit whatsoever. By eliminating the availability of the UI benefits to early retirees, an important incentive to retire early has been removed." (Ontario–Manitoba Primary Council of the Canadian Paperworkers Union, Thunder Bay hearings)

Elimination of compulsory retirement may possibly lead to extended labour force participation by some individuals. Available empirical evidence from the United States (where the retirement age has been raised to 70) and from Quebec, where the usual retirement age was legislated away in 1982 and the Quebec Pension Plan was made more flexible, suggests that these measures may have little effect on postponing retirement. On the other hand, the increasing importance of multiearner families and the rise in real per capita incomes suggest that the trend toward earlier retirement will likely continue, at least for some time. This trend may be influenced somewhat by the fact that many older workers prefer to work part time but are constrained from doing so. According to a poll commissioned by the Department of National Health and Welfare, 40 percent of those aged 55 and over would like part-time employment, although in 1984 only 10 percent of those aged 55 to 64 and 32 percent of those aged 65 to 74 were, in fact, working part time.[24]

"Why is it that an insurance program gives three weeks of benefits to someone who turns age 65?" (Alberta Teachers' Association, Edmonton hearings)

The benefits of these "partial retirement" arrangements would likely be numerous. Older workers would be able to ease their transition from the labour force by gradually reducing work time in anticipation of full retirement. Those who chose to work part time after the normal age of retirement would retain the income and personal benefits of working – self-esteem and a sense of contributing. Society in general would benefit from the continued participation of workers who have accumulated a wealth of skill and knowledge over a lifetime of working.

"Persons aged 65 and over who are still in the labour force should be eligible for Unemployment Insurance." (Fédération des travailleurs et travailleuses du Québec, written brief)

The experience and policies of other countries related to the age of retirement vary. Some OECD countries have recently instituted various "pre-retirement" schemes in an attempt to free up more jobs for the unemployed, particularly for youth. Other countries, however, are beginning to *raise* the legislated age of retirement, while still others have introduced transitional schemes that permit a person to continue working part time while receiving pension benefits.[25]

In the context of apparently conflicting tendencies with respect to retirement age, there is need for a degree of flexibility that will allow any trend to be reversed as circumstances dictate. Not only is life expectancy increasing, but the probability of remaining in good physical and mental health until relatively late in life is increasing even more rapidly. Both the evolving demographic patterns and the changing nature of the workplace stemming from the shift from primary and manufacturing industries to services make it likely that by the beginning of the next century many will continue working until age 75.

"A meaningful reform of the UI program must also improve the present policy with regard to such things as ineligibility on the basis of age, coverage of part-time workers . . . " (Confédération des syndicats nationaux (CSN), Montréal hearings)

All of these developments tend to expand the range of genuine personal choice and to provide greater freedom. None poses any great risk of creating labour market imbalances. What is needed is a flexible approach which facilitates individual choices. Initiatives to increase the portability of pensions and to eliminate the mandatory retirement age are to be supported.

The implications of all of these changes are greater than may first appear. They radically change the context in which the payment of the three-week "retirement benefit" at age 65 and the treatment of pension income for purposes of determining Unemployment Insurance benefits must be approached. Currently, Old Age Security pensions are unconditionally payable at 65, irrespective of labour force status. The question of the age limits under both Unemployment Insurance and Old Age Security must be considered simultaneously, since they are both elements of the social security system that should be coordinated. The present rules are clear: one program begins when the other stops.

Recommendation

22 The age limit of 65 years should be removed as a barrier to Unemployment Insurance eligibility, concurrently with changes in the age limit established in the Old Age Security program. At that time, the provisions in the Unemployment Insurance Act for payment of a three-week "retirement benefit" should be rescinded.

The treatment of pension income by those receiving Unemployment Insurance benefits is discussed in Chapter 8.

Flexibility in Participation

Unquestionably the most dramatic change in labour market behaviour in the postwar period has been the rapid increase in the participation of women. By 1985, the labour force participation rate of women had risen to over 65 percent from its 1946 level of 24.7 percent. This change reflects many social and economic factors, including: smaller families, lighter household responsibilities, and a gradual trend toward greater sharing of these responsibilities; higher divorce rates, with increased numbers of women supporting themselves and children; increasing reliance of families on two incomes; the higher career aspirations of women and the costs in terms of career progression of dropping out of the work force for some time – for example, while children are young.

"Historically, women have been brought out of the home and into the labour force when they were needed and then sent back packing when they weren't. I feel that kind of movement is happening again. There aren't enough jobs and we are sending the women home." (Canadian Congress for Learning Opportunities for Women, Regina hearings)

Responsibility for the care of children, and also for elderly and disabled persons, nevertheless continues to fall disproportionately upon women, a result of both the values of society and the generally lower incomes of women. Although demographic projections indicate that over the next three decades or so the number of dependants relative to the working-age population will be lower than has been the case historically, the dependent population will increasingly be made up of elderly persons.[26]

"Many of the problems are being caused by the return of women to the work force. I cite many examples of women who, for no other reason than boredom, are returning to the work force, and are probably taking jobs from many people who do require a job." (Alberta Chamber of Commerce, Calgary hearings)

As was noted in Chapter 2, parental responsibilities in households with pre-school children appear to be associated with lower labour force participation and higher unemployment rates. The available data do not indicate the extent to which these lower participation rates reflect a preference for staying at home during those years rather than the difficulties inherent in reconciling job and family responsibilities.

The question of tax relief for persons staying at home to care for dependants, and of the associated labour market incentives or disincentives, is a complex and controversial issue. The tax system should be as neutral as possible with respect to the labour market decisions of individuals. For those who care for dependants in the home, for example, a possible improvement to the current system might be retargetting the existing married and child tax exemptions into a refundable tax credit payable to the spouse at home. This would substantially cushion the financial penalty inherent in a temporary absence from the labour

"Further provision should be made to enable parents to combine paid work with family responsibilities. Such provision should include shorter working hours at a pro-rated rate of pay." (Ontario Coalition for Better Day Care, written brief)

"A full employment policy must necessarily be effected through a reduction in working time; in particular, a shorter work week, longer vacations, voluntary early retirement plans, and paid educational and parental leave." (Solidarité populaire Québec, Montréal hearings)

market. In that sense, it would extend the philosophy of the "dropout" provision introduced some ten years ago in the Quebec Pension Plan and more recently in the Canada Pension Plan, whereby persons temporarily absent from the labour force can have their years of non-contribution disregarded in the calculation of their average lifetime earnings. This arrangement minimizes the adverse impact on pension rights.

Tax provisions are only one possible measure to support the care of dependants. Other options that can and should be considered involve encouraging employers to take account of the family obligations of workers. Flexibility could be introduced in the workplace through supporting daycare, in addition to alternative work arrangements such as working from the home and increasing the use of job sharing and part-time work, as discussed earlier.

Summary and Conclusions

A redefinition of work can be achieved only by enhancing the flexibility of work arrangements which affect participation in the labour force, the proportion of time spent working, and activity outside of the wage economy. This flexibility is important for two reasons. The first emphasizes the individual's ability to choose the lifestyle that he or she prefers without facing unnecessary or arbitrary constraints. This flexibility requires a recognition that current behaviour reflects historical conditions that may no longer be valid. The second, and of equal importance, is the recognition that a lack of flexibility may cause society to fall short of important goals, both economic and social.

The nature of work has changed and these changes are likely to continue. The increasing prevalence of part-time work and of both shorter work years and shorter work weeks means that the Unemployment Insurance program must be capable of dealing fairly with these situations. For this reason, to the extent that it is feasible, all part-time work should be covered by Unemployment Insurance and workers should be allowed to accumulate their hours for eligibility purposes. In addition, the concept of work sharing as embodied in Section 37 of the current Unemployment Insurance Act is supported. It promises to allow industry to adapt more smoothly to a changing competitive environment.

A person's choice to move in and out of the labour market should not be hindered by barriers within the employment system. Flexible retirement options and tax reform to decrease the barriers to caring for dependants in the home are to be supported.

Notes

1 Canada, Department of Employment and Immigration, ***Estimates 1986–1987*** (Ottawa: Minister of Supply and Services Canada, 1986), p. 3-55.

2 Canada, Task Force on Program Review (Nielsen Task Force), ***Job Creation, Training and Employment Services*** (Ottawa: Minister of Supply and Services Canada, 1986), pp. 142–68.

3 This section relies heavily upon two works: for the section on part-time work, see Canada, Commission of Inquiry into Part-time Work (Wallace Commission), ***Part-time Work in Canada*** (Ottawa: Minister of Supply and Services Canada, 1983), and for work sharing and shorter working-life issues, see Frank Reid, "Reductions in Work Time: An Assessment of Employment Sharing to Reduce Unemployment," in ***Work and Pay: The Canadian Labour Market***, Volume 17 of the Research Studies of the Royal Commission on the Economic Union and Development Prospects for Canada (Toronto: University of Toronto Press, 1985).

4 This definition of part-time work is consistent with the definition used in the Commission of Inquiry into Part-time Work, ***Part-time Work in Canada***, p. 42.

5 Statistics Canada, ***The Labour Force, December 1985*** (Cat. no. 71-001), 1986, p. 114 and ***Labour Force Annual Averages 1975–1983*** (Cat. no. 71-529), 1984, p. 298.

6 Statistics Canada, ***The Labour Force, December 1985*** (Cat. no. 71-001), 1986, p. 114.

7 Commission of Inquiry into Part-time Work, ***Part-time Work in Canada***, p. 63.

8 Based on actual hours per week, all jobs versus main job (Statistics Canada, ***The Labour Force, December 1985***, Cat. no. 71-001, 1986, pp. 112–13). Multiple job-holders who work more than 40 hours per week in all jobs are excluded from the official count of part-time workers, and are added here to determine the extent of moonlighting (ibid., pp. 114 and 120).

9 The Wallace Commission on part-time work noted that the majority of women's organizations were in favour of expanding opportunities for part-time work because they see it as the best way for women to combine a career with home responsibilities. Accordingly, they recommended that legislation be introduced to eliminate the 15-hour minimum and that it be replaced with a revised system under which all employed workers working over 8 hours a week would pay a straight percentage of their salary. Similarly, the Boyer Committee recommended that the rule stipulating a 15-hour minimum for claiming benefits be adjusted downward (minimum threshold of 8 hours) so as to better reflect the work schedules of part-time employees (Canada, House of Commons, Standing Committee on Judicial and Legal Affairs, ***Equality for All***, Ottawa: Queen's Printer, 1985).

10 Canada, Department of Employment and Immigration, Program Evaluation Branch, Insurance Program Division, ***Evaluation of the Work Sharing Program*** (Ottawa: The Department, 1984), p. 23.

11 Frank Reid and Noah M. Meltz, "Canada's STC: A Comparison with the California Version," in ***Short-Time Compensation: A Formula for Work Sharing*** (New York: Pergamon Press, 1984).

12 DPA Consulting Ltd., ***CEIC Work Sharing Program: Analysis of Productivity Changes and Hiring-Training Costs*** (Ottawa: Canada Employment and Immigration Commission, 1983), p. 50.

13 Reid, "Reductions in Work Time," p. 154.

14 DPA Consulting, ***CEIC Work Sharing Program***.

15 Reid, "Reductions in Work Time," p. 151.

16 Ibid., p. 141.

17 Canada, Department of Labour, ***Provisions in Major Collective Agreements Covering 500 or More Employees*** (Ottawa: Minister of Supply and Services Canada, 1985), pp. xxiii–xxiv.

18 Fred Best, ***Work Sharing: Issues, Policy Options and Prospects*** (Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research, 1981).

19 Conference Board of Canada, ***Attitudes Toward New Work Patterns*** (Ottawa: The Board, 1986).

20 Frank Reid, "Combatting Unemployment Through Work Time Reductions," ***Canadian Public Policy*** 12 (June 1986), p. 278.

21 Brief from F.P. Hughes to the Commission of Inquiry on Unemployment Insurance.

22 Donald P. Dunlop, assisted by Mark Daniel, ***Mandatory Retirement Policy: A Human Rights Dilemma?*** (Ottawa: Conference Board in Canada, Compensation Research Centre, 1979), p. 12.

23 An actuarial adjustment to a pension is very simple. If a pensioner was entitled to a $1,000-a-month pension at 65 but chose to draw his pension at 64, he would get only $950 a month; if he delayed it to 66, he would get $1,050 a month. This 5 percent per year adjustment is typical.

24 Canada, Department of National Health and Welfare, Policy Research and Long-Range Planning, ***Retirement in Canada*** (2 vols.) (Ottawa: The Department, 1977).

25 Organisation for Economic Co-operation and Development, ***Socio-Economic Policies for the Elderly*** (Paris: OECD, 1979).

26 Mireille Ethier, "Survey of Pension Issues," in ***Income Distribution and Economic Security in Canada***, Volume 1 of the Research Studies of the Royal Commission on the Economic Union and Development Prospects for Canada (Toronto: University of Toronto Press, 1985), p. 217.

Lawrence Axe, Machinist, Kincardine, Ontario

Mr. Axe argues the case for sharing work rather than laying off workers and expresses the frustration of those affected by changes to the severance pay regulations.

I am 63 years old. I've had to work hard all my life. This is the first time I've ever been out of work.

I am a steel machinist by trade – vertical boring, horizontal boring, planing, turning – stuff like that. I came over to Canada from England in 1963. In 1966 I got a job with Byron Jackson, a pump manufacturer for nuclear plants.

In December 1983 I had to go into hospital. I had a kidney removed and I was off sick for six months, on sick pay from the company health plan. While I was sick, my job in the inspection department was put on the layoff list. To keep working I had to take a new job in the stores at a lower wage. In the application I had to waive my seniority rights from the previous 17 years. A year and a half later they cut down from seven in the stores department to three . . . I couldn't stay there and I couldn't go back to inspecting, so they laid me off on 24 January 1986.

I find it very unfair. They laid quite a few of us off, but the rest of the guys are working 12-hour shifts and Saturdays too, to make up for the people that got laid off. Now, if they made it 40 hours for everybody, I'd probably still be there. I don't think the government should allow it. I figure there were probably around 100 people working there originally, and now there's about 60 . . . and they're all working 12-hour shifts. And this sort of thing is going on all over Toronto. I think the way the employers look at it is that if they lay the people off, then they don't have to pay these benefits, like dental and like my sick pay, things like that.

We used to live in Scarborough, but the rent's got that expensive in Toronto . . . and the cost of living and delving into the savings to keep going kind of thing . . . One of my two sons bought a house up here in Kincardine. He said that we could rent it . . . We decided to move up here so that we could spread out the money a bit further . . . We were comfortable down there in Toronto . . . but financially, we had to go. The wife and I aren't in too good health, though, and we miss the medical facilities.

When I was machining and inspecting, my wage was just over $13 an hour. And when I started in the stores, it dropped to $11. The company was decent . . . they gave me vacation pay and 19 weeks' severance pay at my original wage of $13 an hour. But UIC added my last work week to the severance pay! And then they divided it all up by $11 an hour, so that it got paid out over 26 weeks, not 19. That 26 weeks was deducted out of my UI, so I can collect only half of my UI. On top of that, the guy at the UIC office said there's a two-week waiting period after July 20, when my severance pay ends, so the benefits only start on August 3.

Last September, my wife became a senior citizen. She started drawing the pension in October. Well, when I became unemployed, she asked if we could have a spouse allowance, and they said no, when he's finished with severance pay, he can go on UI. Now my severance pay cheques have stopped, and my UI is already weeks late. We're caught in a lot of red tape. Everything seems to have gone wrong all ways. The money we've got seems to be going down very fast. It gets you to tearing your hair at times.

What I resent about UI is this. First of all, I have to pay UI premiums on the vacation pay. How can I have a vacation when I don't have a job? And how can you charge me for UI when I'm not working?

Second, I feel the new regulations are making me subsidize the government with my severance pay. People expect severance pay to be a booster to help pay for things you can't afford when you're unemployed, what with the cost of things rising every year. We hoped to save my severance pay towards our retirement. Maybe go to America, which we have never done before . . . go for a holiday and get away from the snow. Now we can't do that. We have to live on the money right now.

I'm supposed to look for another job. Who can get a job at 63? Why can't people like me go into early retirement? I get a bit of UI. Then what? Do we go on welfare till I'm 65? . . . They could start some training program and employ elderly people, workers like myself that get laid off, to teach the young ones when they come into the work force. That's how I started. I started work at 14, learning from the fellows on the machines, which is far better than reading from a book.

If I had bummed around and had 19 different jobs, I would have gone straight on UI. I have been penalized because I stuck to my job. It's not fair at all. That's the way I look at it.

Part III The Solutions

Responding to the Needs of the Unemployed

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Responding to the Needs of the Unemployed

During the public hearings, many participants called for a return of Unemployment Insurance to insurance principles. They said repeatedly that the program's integrity had been compromised by changes over the years. Much of the criticism centred upon regionally extended benefits. In Part II, the phasing-out of regionally extended benefits was recommended and it was proposed that the savings be used to fund an Earnings Supplementation Program, as well as a range of other initiatives designed to improve the employability of jobless Canadians and to promote community and regional development.

If regionally extended benefits were phased out and no other changes were made in the current program, 51 weeks of work would qualify workers for up to 38 weeks of benefit (25 weeks of regular benefits and 13 weeks of labour force extended benefits). The variable entrance requirement would mean that workers who had worked the same number of weeks would still qualify in some regions but not in others, and existing special rules would still apply for repeaters, new labour force entrants, and re-entrants. Furthermore, removing regionally extended benefits would not correct the inequity of the program's treatment of full-year workers relative to part-year workers. The current program would still be unfair, would provide the wrong incentives, and would be too complicated.

The program is unfair because workers in similar situations are treated differently. Some contributors, such as retired military personnel, are not able to collect benefits when they become unemployed. Self-employed fishermen are covered by Unemployment Insurance, but other workers earning a living in seasonal, self-employed work are not. A worker with 12 weeks of insured employment is eligible for Unemployment Insurance if the local unemployment rate is 7.1 percent or more, but if that worker had only 11.5 weeks of insured employment or if the local unemployment rate were 7.0 percent or less, no benefits would be paid.

The current program does not provide sufficient incentives for claimants to work while receiving Unemployment Insurance. Recipients can earn an amount up to 25 percent of their maximum benefits from part-time employment without suffering any loss of benefit. Each dollar of earnings after that point reduces benefits by one dollar and contributes nothing to overall income, so there is little financial incentive for a person in receipt of benefits to take on part-time work. Since taking any full-time job disqualifies a claimant, there is little incentive to take a job paying less than the Unemployment Insurance benefit or one that is not guaranteed to last long enough to generate another claim.

For the employer, the program makes it easier to hire or lay off workers for short periods. Since workers are supported by benefits until their employers need them again, and entrance requirements are lower in regions with high unemployment rates, they have little incentive to look for work elsewhere. Thus, the current program of Unemployment Insurance may encourage unstable work patterns by subsidizing layoffs.

The current program is too complex because the number of goals that Unemployment Insurance is expected to meet has increased over the years. Special rules designed to meet various objectives have resulted in a program that is virtually impossible for clients to understand and difficult for the staff to administer. Such basic definitions as "insurable employment" and "interruption of earnings" are open to misinterpretation.

Staff must master a large amount of information contained in the Act, regulations, various directives, circulars and telexes. Often the information is inconsistent, which means that inconsistent information is given to clients. Frequent changes in regulations make it difficult for both staff and clients to have the most up-to-date information. The Record of Employment requires an employer to translate pay periods into calendar weeks regardless of how employees are paid, and is a major source of errors and delays in benefit payments. The basic eligibility criteria are complex, easily misunderstood, and often lead to inequities. The appeal system is not seen as allowing a fair and independent review of cases.

Part III develops proposals which respond to these concerns. Chapter 7 suggests a new direction for Unemployment Insurance, to make it fairer and less complex, and to improve work incentives. The proposed program does so by calculating benefits over a longer earnings period and paying them out over 50 weeks. A Cumulative Employment Account is proposed which will provide benefits to long-term workers who need to adapt to changing economic circumstances. An important part of these proposals is the transition from the current program to the new system.

Chapter 8 presents a range of amendments that should be introduced whether or not the changes in Chapter 7 are adopted. It includes proposals which deal with the controversial issues of pension income, severance pay, vacation pay and lump-sum payments.

Self-employment and Unemployment Insurance are considered in Chapter 9. This chapter deals in some detail with the issue of fishermen's Unemployment Insurance and makes proposals for replacing it with a form of income supplementation.

Finally, Chapter 10 provides a range of proposals for improving the administration of the program. The proposals are on two levels. The first level deals with fundamental changes which would result in the program being administered by an autonomous institution at arm's length from the government; the second considers a range of less fundamental changes which could be adopted whether the major organizational changes proceed or not.

These chapters represent the essence of the proposals for reorienting the Unemployment Insurance program. The recommendations that they contain, together with the proposals in Part II, constitute a significant redirection of both employment and unemployment policy in Canada and indicate the direction that Canada should take to have a well-functioning and internationally competitive labour force as the twenty-first century approaches.

Tim Hannan, Auto-Plant Worker, Windsor, Ontario

Mr. Hannan is typical of a large number of Canadian workers who enjoy the protection of a union, although the supplementary unemployment benefits provided to workers in the auto industry have not been established in the majority of Canadian unions.

I started working for Chrysler in 1973, straight out of school. I'm presently work in a big plant upholstering seats . . . I get paid about $14.52 an hour, a little more than a regular line man's base wage, plus cost of living.

In the past thirteen years I've experienced several layoffs, and you could talk to a hundred employees and get the same story.

I was laid off for eight to ten weeks in my first year. Then, in 1975 sales were down and so there was a nine-month layoff . . . All I had to live on was UI, so that time was quite rough.

With a year's seniority, you qualify for supplementary unemployment benefits from the union. SUB makes up the difference between UI and 95 percent of your wages. And if there is an indefinite layoff, you have "bumping" rights to get work at another plant, according to your seniority.

At the beginning of the recession in 1980 it was looking real bad. A lot of my friends that I worked with from 1973 up till that time packed up and went out West. Most people stayed hoping to be recalled. They rode it out, collecting the SUB and UI to its maximum. A lot of people had to sell their houses and cars and couldn't pay back their credit union loans. And 1980 was the hardest time for most people because the SUB fund was almost drained dry, and you had to have 10 years of seniority or more to qualify for it. The union is the backbone . . . If it wasn't for them, it could have been a lot worse.

There were regular meetings at the union hall once a month during that layoff to keep laid-off employees updated . . . whether the profits were good, whether they were thinking of calling back people. If you heard of someone being recalled and you had just a little less seniority than that person, then you might be the next person to be called back. So you sat back and hoped that you would be next. Because it is such a good-paying job, you don't want to give up the chance to get it back by looking for something else.

In 1983 they shut down for retooling. Most employees were off from June until December, but with UI and SUBS we were receiving 95 percent of our wages, so it was comfortable. The mini-van we were going to work on was receiving a lot of good publicity, so we knew that we would be into some good money when the plant reopened. Since December of 1983, since I have been back, we have worked almost every Saturday. It is a little over three years now since I have had to collect UI, thank God!

We just experienced a two-week shut-down, for a model change . . . It happens every year. They normally tell you when they will be shutting down, and you take your holidays then. It is usually the same two weeks every year. We are not entitled for UI because we are receiving vacation pay.

There are only two big plants left . . . almost 7,000 employees working steady six days a week for over three years now. Chrysler is slowly closing down the plants in Canada . . . They are retooling a plant in St. Louis to pick up slack from this plant. We have been losing contracts to other plants in the States and Mexico because they give lower wages and put in cheaper bids.

In the paint and metal shop area, we have also lost quite a few jobs because of the robot – but on the other hand we have gained a few in order to maintain these robots. We are worried a bit about losing our jobs to higher technology, but there are quite a few areas in the assembly plant where it would be virtually impossible for a robot to perform certain duties. There are far more jobs for people than for machines, but the company's engineers are probably five years ahead of what we can do, what would be feasible.

For me right now, it is very comfortable, but I wish I could say that about other people. People that left Windsor before are now coming back from the West because unemployment there is so high. They are trying to get their old jobs back.

Chapter 7

A Plan for Reform

Introduction

Canadians have strong views about Unemployment Insurance. On the one hand, they are enthusiastically committed to it as an insurance program that pools the risks of unemployment among employers and employees and pays benefits as a right, not as a charity. On the other hand, they are angry and frustrated about abuses of the program – not abuses because of dishonest people, but abuses because of deficiencies embedded in the very structure of the program. The system itself is seen as unfair, illogical, lacking integrity, and overly complex.

"Some beneficiaries benefit nine or ten times more than the value of the contributions made by their employers and themselves." (St. John's Status of Women Council, St. John's hearings)

The program applies different criteria and provides different benefits to individuals whose circumstances are similar. It is more generous to some short-term workers than it is to some full-year workers. It provides a higher level of benefits to employees in some regions of Canada than in others. For some, benefits run out too early; for others, benefits provide more income than the wages that they earned while working.

Many participants at the public hearings called for a return to insurance principles. They stated repeatedly that the program's integrity was at stake and had been compromised. The innumerable modifications to the program over the years were viewed as political compromises which had distorted the objectives of the program and undermined its principles. At the same time Commissioners were challenged to devise better ways to meet the needs of the unemployed.

"The number one concern we have is the return of the Unemployment Insurance program to its original purpose, which is to provide relief for people who are temporarily out of work. To that end, we would like to see the program return to a program which is based on insurance principles." (Atlantic Provinces Chamber of Commerce, Charlottetown hearings)

This chapter presents the overall plan for reform and sets out the broad direction and ultimate objectives of Unemployment Insurance. It involves a gradual transition over a period of years to a new program based upon Annualization. Once the new system is fully implemented, the program will calculate benefits on the basis of total insurable earnings during the previous 52 weeks and will pay out benefits in equal instalments for 50 weeks or until the recipient is re-employed, if that should happen sooner. Another major proposal, designed to assist long-term workers, is the establishment of a Cumulative Employment Account. This proposal will make it possible for long-term workers to accumulate credits that could be used under certain conditions to top up or extend their benefits.

"It can be perceived – and we submit it is perceived wrongly – that Unemployment Insurance is part of the social aspect. It is an insurance. Construction workers recognize and live within the aspect of seasonal work. That seasonal work only entitles them to x number of dollars. They have to have x number of dollars from somewhere else. Right now their somewhere else is the earned income from Unemployment Insurance." (Labourers' International Union of North America, Regina hearings)

"There are other things in this world that are more important than Unemployment Insurance, but not in the Unemployment Insurance program. In that program, what is number one is insurance for loss of employment." (Greater Moncton Chamber of Commerce, Moncton hearings)

The proposed plan must be viewed both within the broad context of the human resource development proposals and within the framework of the Canadian income security system. The elimination of regionally extended benefits was recommended on the grounds that Unemployment Insurance is not an appropriate instrument to provide either income support or income supplementation. From the savings obtained from the phasing-out of regionally extended benefits and from other proposed reforms, the implementation of an Earnings Supplementation

"We have a ridiculous system here in Canada – where anyone can receive $244.00 tax free and paid holidays for not working – that is why we as a country are non-competitive." (D. English Inc., letter to the Minister of Employment and Immigration)

"The guiding principle of the Unemployment Insurance program as a whole should be fairness. All subordinate principles should be measured against a principle of fairness. One such subordinate principle could be that of a national program, without regional disparities." (Social Planning Council of Oshawa–Whitby, Toronto hearings)

Program is recommended. That proposal is a critical element of reform. It is needed in order to offset in some measure the hardship that would result for individuals and for communities from the phasing-out of regionally extended benefits and fishing benefits. To that end the establishment of a community development fund, the adoption of long-term regional economic development programs, a concerted attack on illiteracy, and a refocussing of training programs are also recommended. The reform of the core program should be considered in the context of these other proposals.

The objective of Unemployment Insurance is to provide temporary replacement of earnings in the case of job loss or an interruption of employment earnings. Several criteria have been applied to decide how well various options meet this objective (see box). These six criteria establish the basis for trade-offs. The choices are not easy. The purpose was neither to cut back nor to enrich the program. The compelling need for a comprehensive human resource development strategy, however, made it obvious that meeting the needs of the unemployed would be costly. The options that must be chosen are those that direct money to programs that provide the best possible foundation for the future. It is in this spirit that the following proposals for fundamental changes to Unemployment Insurance were developed.

Criteria for Assessing Changes in the Unemployment Insurance Program

1 Horizontal Equity

Persons in similar situations should receive similar treatment, and appropriate variations should be permitted in recognition of different circumstances. This criterion requires the clarification of what constitutes similar situations for purposes of Unemployment Insurance. In order to assess similarities and differences, it is necessary to consider a time horizon that allows meaningful similarities and differences to be identified. If, for example, too narrow a time horizon is used to measure work patterns, a person who has worked for only a few weeks could be defined as eligible for the same benefits as someone who has been continuously employed for 10 years.

2 Labour Market Efficiency

This criterion is concerned with the balance between replacement of earnings and the efficiency of the labour market. Finding the best balance is one of the most difficult aspects of developing a program. Benefits must be high enough to maintain an ongoing standard of living but not so high as to encourage a person to remain unemployed, supported by the program benefits. In other words, incentives to work are an essential element in any program evaluation.

3 Targetting of Benefits

This criterion refers to the ability of the program to provide the appropriate level of assistance to those whom the program intends to help, while minimizing the extent to which benefits flow to those outside the intended target population. A program that provides the appropriate ratio of benefits to previous earnings to all unemployed persons would be effective, but if a large proportion of benefits were paid to persons who are not unemployed, it would be inefficient. Under this criterion, the goal is to find an appropriate balance between effectiveness and efficiency.

4 Sensitivity to Economic and Social Conditions

Paying benefits on the basis of age alone, for example, would make the program insensitive to economic conditions. By contrast, specific programs such as social assistance and Unemployment Insurance are relatively sensitive to economic conditions.

5 Appropriate Program Costs

The higher the cost of the program, the fewer the resources available for other social purposes. Thus, the goal under this criterion is to ensure an appropriate balance between costs and the other criteria.

6 Administrative Simplicity

The program should be not only simple to administer but also easy for clients to understand. Administrative simplicity is usually associated with programs such as Family Allowances or Old Age Security, in which benefits are based solely on age. Meeting some of the other criteria, however, necessarily involves a loss of administrative simplicity.

The Proposed Approach: Annualization

The proposed approach represents a fundamental shift in the program – one which restores equity, integrity, clarity and administrative simplicity to Unemployment Insurance. It embodies the view that Canada must invest in human resources and it frees resources to fund the human resource development plan proposed in Part II. The new approach also is more equitable in its treatment of short-term and seasonal workers as compared to long-term workers, improves work incentives, and provides broader coverage. Furthermore, it achieves these objectives while simplifying the program from the perspective of both the claimants who benefit from it and the staff who administer it.

The proposed reforms involve moving to "Annualization" in the calculation of benefits. This means basing the benefit level on all insurable earnings over the previous 52 weeks and paying benefits for up to 50 weeks. An additional component of the new program is the Cumulative Employment Account, which will permit workers with long-term employment and Unemployment Insurance contributions to build up additional credits to be used only under specific conditions.

To redirect the program and achieve a better balance among the criteria identified, it is proposed that:

- There would be a uniform entry requirement of 350 hours of work (roughly equivalent to 10 weeks) which would apply to all workers, including those applying for sickness and maternity benefits, as well as new entrants to the labour force, re-entrants and repeaters.
- Benefits after a transition period would be based upon average weekly earnings in the preceding 52 weeks and not, as now, on earnings in the preceding 10 to 20 weeks.
- Benefits would be paid in 50 weekly instalments, after a two-week waiting period. This would eliminate the current practice of varying the duration of benefits according to weeks worked and regional rates of unemployment.
- During the course of the transition period, consideration would be given to increasing the level of benefits from the current 60 percent to 66 ⅔ percent of insurable earnings.

Eligibility

The entrance requirement of the proposed program would be a cumulative total of 350 hours of work (approximately equivalent to 10 weeks) within the preceding 52 weeks. The proposed program treats all hours of work equally in determining eligibility for benefits. Entrance requirements would also be uniform throughout Canada, eliminating the complication of variable entrance requirements.

The proposed approach redresses several inequities. The current system sets eligibility requirements at differing lengths of time. If the unemployment rate is over 9 percent, for example, the requirement is 10

"The plan should provide benefits to eligible claimants based on their attachment to the work force and premiums paid. Claimants should be legitimately out of work and actively seeking employment." (Canadian Construction Association, Ottawa hearings)

"Insurance benefits should be payable only to employees with an extended connection to the paid work force, with the length of benefit entitlement directly tied to the number of weeks worked during the past year." (Canadian Organization of Small Business, Toronto hearings)

"In Canada we have 49 economic zones for Unemployment Insurance purposes. Only seven of those zones have a higher requirement than 10 weeks as far as entry onto UI. Now, it doesn't seem to us that it would be that tough a problem to resolve and put it so that it is standard from sea to sea." (Port Alberni and District Labour Council, Victoria hearings)

"The call is for change from an inordinately complex system to one more easily administered, less prone to error and more easily understood by recipients and the general public alike. If the goals are those of clarity, precision and uniformity, then one looks for changes to eligibility procedures, a reduction to contingency rules and the reduction, if not the elimination, of discretion." (Social Planning Council of Winnipeg, written brief)

"An arithmetic correlation between the amount paid into the fund by an individual and the amount received by that person should also be established." (Alberta Chamber of Commerce, Calgary hearings)

"Don't you think that 400 hours of work in a year, whether it is done continuously without sleeping and within three weeks, or whether it is done over 50 weeks, is 400 hours of work? And it should be insurable and allow someone to derive the same benefits?" (Provincial Advisory Council on the Status of Women, St. John's hearings)

weeks, and if it is 6 percent, then 14 weeks are required. The local unemployment rate is at best a poor indicator of how easy it is to get and keep a job. Some skills may be in high demand in spite of the unemployment rate, while others are in low demand. It is unfair to treat workers differently when they are in occupations with the same employment prospects. That inequity is removed through uniform entrance requirements.

"Let's say someone is working for $10 an hour or $8 an hour, it doesn't really matter. Does it really matter or should it matter for insurance purposes, whether those 50 days or 60 days in the year – and, again, that is an arbitrary number – does it matter what the pattern of employment is over the year in terms of benefits? And, if so, why?" (Coalition for Equality, St. John's hearings)

The current program also imposes longer eligibility requirements for "repeaters" (those who have received benefits in the 52 weeks immediately prior to their claim), as well as for new entrants and those establishing sickness or maternity claims. Since the Annualization approach averages earnings from the last 52 weeks, it automatically takes account of claimants' attachment to the labour force in that period, and so no additional eligibility requirement is necessary. Finally, as was noted in Chapter 6, the inequity in the treatment of part-time work is reduced.

"Whether we are talking about regional unemployment, or cyclical, or seasonal, or structural, or even sectoral, they are all items that don't make much difference to the individual who is unemployed. We would suggest that it is possible and that you ought to concentrate on a level and duration of benefits that would apply equally to any person who is unemployed, regardless of where they are or the type of activity they may be in." (Canadian Federation of Labour, Ottawa hearings)

Accordingly, the proposed entrance requirement for eligibility would be 350 hours for everyone and in all regions.

Level of Benefits

Reference Period and Base Period

Chapter 4 identified the characteristics that an Unemployment Insurance program should *not* have. It should not have an income or needs test and benefits should not relate to the family status and responsibilities of the claimant. Rather, entitlements should be closely related to earnings and the premiums paid on those earnings. For this reason, re-emphasizing insurance principles requires that the level of benefits should be closely related to earnings experience. In this way, past earnings provide a more accurate picture of what the claimant would have earned if he or she had not become unemployed.

"Because of the area in which a person lived, rather than where he was employed, when some of those claims ran out they were not allowed to re-establish a claim because of the variable entrance requirement." (United Auto Workers, Local 707, Toronto hearings)

"We feel that all the earnings of part-time workers should be insurable, regardless of the amount earned or the hours worked in a week." (Canada Employment and Immigration Union, Fredericton hearings)

To establish the level of benefits requires decisions on the value of what is being insured. The proposed system would base benefits on average earnings established over a reasonably long period of time. Most workers establish expectations and make financial commitments on the basis of their annual earnings. Therefore, the commonsense approach would be to use average earnings over a year as the basis for establishing the level of benefits. This contrasts with the current approach, which implicitly assumes that expectations and financial commitments may be established over as short a period as 10 weeks. In order to calculate the benefit level in the proposed system, earnings from employment over the previous 52 weeks would be used.

"All UI could be based on an hourly contribution rate." (Peter Doering, Edmonton hearings)

Maximum Insurable Earnings

Some employees in professional or technical occupations have suggested that the present $495 limit to weekly insurable earnings should be raised to provide more protection to higher-income workers. This concern is addressed, in part, by the proposal to raise the ratio of benefits to insurable earnings from the present 60 percent to 66 ⅔ percent. This change increases the level of protection provided to both low-income earners and high-income earners. It should also be noted that the maximum insurable earnings limit is not static: it moves in step with the average industrial wage, according to a particular indexation formula.

"We feel that the best way to guarantee a viable UI fund, thus ensuring that the present UI program is strengthened or at least maintained, is to increase the revenues into the fund. The current formula is based upon the worker's paying a premium rate of $2.35 for each $100 up to a ceiling of $460 of weekly insurable earnings, with the employer's rate set at 1.4 times the worker's premium. We feel that those who earn more should pay more. Specifically, we are recommending that the ceiling on weekly insurable earnings for the purposes of calculating UI premiums should be removed altogether." (National Union of Provincial Government Employees, Ottawa hearings)

It was argued in Chapter 6 that more should be done to encourage flexibility in work arrangements. The same arguments apply equally to the need for flexibility in setting a maximum limit to insurable earnings. The concept of one uniform limit is incompatible with the concept of flexibility in work arrangements. It has the same weaknesses as any general rule or policy that is applied equally to diverse circumstances.

Currently, there is considerable flexibility in the way that premiums are collected and this suggests a method to apply the limits. To assist them in calculating premiums, employers are provided with a booklet which translates insurable earnings, expressed as a weekly amount, into the relevant pay period of each employee. The tables in the booklet make it easy for the employer to calculate the correct amount of premiums to deduct for employees regardless of the pay period (weekly, bi-weekly, monthly, etc.). The argument to increase flexibility in work arrangements also supports the view that the approach used in the calculation of premiums should be adopted in the calculation of benefits. An annual maximum would be established and within that annual limit maximum insurable earnings would be established according to the pay period used by the employer. At present, this maximum would be $25,740, or 52 times the current weekly maximum of $495. Entitlement to benefits would be calculated on the basis of total premiums paid and weeks of employment in the previous 52 weeks.

"Perhaps the problem lies with having a minimal level of employment before one is subject to contributions. If that were eliminated and any employment made subject to contribution, then whether people had four of five different employments at the same time, all of those would count." (Manitoba Teachers' Society, Winnipeg hearings)

This approach would not only contribute to increased flexibility but would also simplify the Record of Employment. Currently, in completing the Record of Employment the employer must translate pay periods into weeks as defined for Unemployment Insurance purposes. Under the proposed program, the employer would report the premiums paid according to his regular pay period, and if the employee had worked less than 350 hours the employer would report the number of hours worked.

Replacement Ratio

The choice of the ratio of benefits to earnings is a matter of judgment. Arguments range from those in favour of a 50 percent ratio to those favouring 75 percent. The lower ratio is advocated for its effect on work incentives. It corresponds to the view of Unemployment Insurance as a program providing very short-term transitional assistance and to the view that there is a large share of household income that goes to expenditures which can be postponed. The higher ratio provides better income protection and is more appropriate to relatively long-term unemployment. Since the higher replacement ratio mitigates the impact of Annualization on those who work less than a full year, it is proposed that consideration be given to increasing the replacement ratio to 66 ⅔ percent in the third phase of the transition to Annualization.

"The benefit level should be partially geared to previous earnings. Lower-income workers should not be punished for having been lower-income workers, because quite frequently they are heads of households and they have serious responsibilities. In the Netherlands a minimum-wage worker will receive 90 percent of average insurable earnings as a benefit." (Doug Broome, Vancouver hearings)

It should be noted, however, that increasing the ratio to 66 ⅔ percent without increasing premiums would consume approximately $700 million of the amount that would be saved by phasing out regionally extended benefits and changing to an annualized program. Whether that amount would be better spent on Unemployment Insurance to mitigate the effects of the proposed changes or whether it might not be used more effectively to provide assistance through the Earnings Supplementation Program is a question to be decided by political decision makers.

"Comments were made earlier by others about Unemployment Insurance as bridging the gap between jobs. Well, that bridge used to be over a very small stream; now the bridge needs to be built over an ocean. People are unemployed for longer periods of time and they cannot be abandoned by the government. I don't think it creates a sense of dependency. I think it is something that is owed to the people who have contributed and they should not be abandoned to charity." (Saskatchewan Federation of Labour, Regina hearings).

Duration

The average duration of unemployment is increasing (from 14.7 weeks in 1980 to 21.6 weeks in 1985). More workers are exhausting their Unemployment Insurance benefits before they find work. With the phasing-out of regionally extended benefits, the maximum duration of benefits under the current program would be only 38 weeks. In the proposed program all beneficiaries would be eligible for 50 weeks of benefits after a two-week waiting period.

"There will be instances where a UI claimant will decide part way through his claim that a training program is the answer to his inability to secure a job. We propose that the claimant be able to 'freeze' the claim, take a training program through the Canadian Jobs Strategy program, and receive the regular training allowance." (Canadian Bankers' Association, written brief)

"The Îles-de-la-Madeleine socioeconomic committee recommends that the UI program be structured to motivate individuals to take part-time or casual work; and that a system of banking hours or days be put into place to encourage people to work on a temporary basis." (Comité socio-économique des Îles-de-la-Madeleine, written brief)

Credit Banking

As an incentive to take a job, the current program provides for a system of "credit banking." A claimant who finds a full-time job and is therefore no longer eligible to receive benefits may suspend rather than terminate his claim. If the new job does not last long enough to make him eligible for new benefits, he can revert to the old claim.[1]

Under Annualization, the credit banking option is retained (see box). Accepting a full-time job would still suspend the original claim. If that job were lost after nine weeks, the original claim could be reactivated for the remaining time available at the current level and the brief work episode would not be taken into account. These nine weeks, however, would not be forgotten, since after the original claim has been exhausted, they would be used to meet eligibility requirements and to calculate benefits for a new claim. The new claim would be based on the previous 52 weeks. Those nine weeks at 40 hours a week would be sufficient to satisfy the 350-hours requirement, but even if they were not, they would still count in establishing a new entitlement, provided the person had worked at least 350 hours in the 52-week period preceding the new claim. Thus, the person would be able to complete the first claim and subsequently establish a new claim on the basis of a new 52-week qualifying period.

By ensuring that all hours worked and all earnings are considered in calculating claims, this approach to credit banking would provide an incentive to the unemployed person to accept full-time work rather than to continue drawing benefits.

Cumulative Employment Account

Introduction

In the course of the public hearings a paradox became apparent. While the current Unemployment Insurance program was perceived as providing too much assistance to certain individuals – primarily short-term and seasonal workers – it was also perceived as inadequate for meeting the needs of others who were affected by major structural changes in the economy. Adoption of Annualization would shift the focus of Unemployment Insurance toward full-year workers. It is recognized, however, that a year of benefits may well be insufficient for the kinds of adjustment that workers will find increasingly necessary.

The particular concern that was most frequently raised at the hearings was concern for the older worker. It centred on those workers who are too young to begin drawing a pension but are unable to find work because many employers consider them too old to be employable. It was suggested that Unemployment Insurance could play a role as a "bridge to retirement." These arguments were very persuasive. It became clear, however, that initiatives already under way in both public and private pension plans would significantly reduce the problem. In 1982, the Quebec Pension Plan began paying actuarially reduced pensions at age 60. The Canada Pension Plan is now in the process of adopting the same measure. Private pension plans also are increasingly providing the option of actuarially reduced pensions for those who wish to retire before the normal age specified in the plan. These develop-

"The introduction of new technology is made easier where older workers with long service can choose early retirement as an alternative to retraining near the end of their working careers. This becomes particularly important for production workers who may face unpleasant working conditions and arduous tasks. The choice of this early retirement alternative by the older worker provides wider opportunities for younger workers who normally have more dependants to support and might otherwise be laid off. The UI program should include provisions for workers who retire early. This would facilitate the negotiation of early retirement packages and encourage individual workers to utilize those provisions. Since the benefits of technological change accrue to all Canadians, it is only fair to expect Canadian society to ease the burden upon those most adversely affected by it." (Canadian Paperworkers Union, Ottawa hearings)

Illustration of Credit Banking Options under Annualization

Gerald is entitled to benefits of $200/week, based on previous full-year employment at $300/week. Unemployment begins on December 31, 1985. Unemployment Insurance benefits start on January 12 and are due to terminate on December 31, 1986.

On March 23, after 10 weeks on claim (and the initial two-week waiting period), Gerald starts a full-time job that lasts nine weeks, until May 24. If he then makes a second claim, it will run for 52 weeks beginning on that date and ending a year later, that is May 24, 1987. If he goes back to his earlier claim, his benefits will end on December 31, 1986.

In making a choice between reverting to the old claim and switching to a new claim, three variables would be important to Gerald: the weekly benefit, the total benefit, and the likelihood of finding another full-time job before total benefits are exhausted.

Weekly benefit on first claim	Weekly benefit on second claim, on earnings of $200	Weekly benefit on second claim, on earnings of $400	Time remaining (weeks)	Total benefit available
$200			31	$6,200
	$142		50	$7,100
		$165	50	$8,250

ments, together with the conviction that Unemployment Insurance is not a retirement program, made the proposal for using Unemployment Insurance as a "bridge to retirement" much less appropriate.

Nonetheless, the plight of the older worker, compounded by the increase in structural unemployment, remains a serious problem and one that is likely to persist. Older workers tend to be unemployed longer than average; in 1985 male workers over 45 were unemployed for an average of 31.8 weeks, 7.8 weeks longer than the average for all unemployed men, and older female workers were unemployed for 23.4 weeks, 2.1 weeks longer than the average for all unemployed women.[2]

It is proposed that an individual account be established, to be known as a Cumulative Employment Account, to provide assistance to long-service workers. Workers would contribute over time and would be able to use the benefits, under certain circumstances, to adjust to major changes in their employment situation.

"If you are no longer employable because you have ceased to be a marketable commodity in the labour system and the employee/employer relationship . . . then to help those people find a new niche in life is a social responsibility we all bear as Canadians." (Regina Chamber of Commerce, Regina hearings)

Building Up the Account

The proposed Cumulative Employment Account allows a long-term contributor to build up credit in an account in much the same way that automobile insurance policies give good drivers a no-claims bonus. Under the Cumulative Employment Account, employment beyond one year increases either the amount or the duration of benefits available to workers, provided that they satisfy certain conditions. Specifically, the Employment Account would accumulate at the rate of two weeks for every full year employed. The account would build up slowly and would not be available until after approximately 30 years of employment. A full year would be defined as 2,080 hours, and those who worked for fewer hours in a year would accumulate credits on a prorated basis. The maximum that could be accrued would provide one additional year of benefits.

"If a person has worked for 10 or more years for a company and it is closing because of recession or economic reasons, they should be able to draw UI benefits for more than one year, depending on their situation." (Campbell River, Courtenay and District Labour Council, Victoria hearings)

"Rather than attempting to drive the unemployed from high unemployment regions by reducing benefits, the system should provide incentives to employable individuals to seek unfilled vacancies elsewhere in the country." (Canadian Paperworkers Union, Ottawa hearings)

"Establish incentives for the purpose of assisting unemployed workers in relocating to areas where there is a greater likelihood of employment." (Kamloops Unemployment Guidance Centre, Vancouver hearings)

Drawing Down the Account

Certain conditions would have to be met in order for benefits to be withdrawn from the account. The threshold of 30 years of labour force attachment ensures that benefits are directed to long-service workers. This attachment would be calculated from the first full year of employment of each individual. Furthermore, setting the threshold at 30 years when it takes only 26 years to accumulate maximum benefits effectively provides a "dropout" provision that permits workers to be out of the labour force for up to four years without reducing their maximum benefits.

The uses to which benefits could be put would include the following:

- The Cumulative Employment Account could assist workers who suffer a number of layoffs in quick succession after many years of steady employment with the same company. In these cases, Annualization of earnings over a period of years would reduce benefit entitlement. Workers in this situation could choose to use the Cumulative Employment Account to top up their benefits to

"The worker may have to relocate to other areas, and in these cases assistance to relocate should be provided to the worker by the fund. However, in some cases this may not be practical or possible, and in these cases we would recommend that short-term training programs be made available." (Construction Association of Prince Edward Island, Charlottetown hearings)

66 ⅔ percent of their average weekly earnings over the previous five years.

- Workers could use their Cumulative Employment Account within 13 weeks of a layoff, either to top up or extend benefits, to allow them to undertake training, retraining or educational upgrading, or to move to another approved location for employment or training/educational upgrading. In these cases, the top-up could bring benefits up to 80 percent of their previous insurable earnings. This higher replacement ratio would provide an additional incentive for older workers to retrain or move instead of remaining on Unemployment Insurance, since it would offset the additional expenses resulting from retraining or relocating. In addition, the higher ratio recognizes that long-service workers tend to have higher wages and that the limit on maximum insurable earnings may mean that actual replacement ratios are low.

"The greatest potential for the positive use of Unemployment Insurance lies in using these resources to train and retrain workers of all kinds whose skills are becoming obsolete." (Canadian Congress for Learning Opportunities for Women, Regina hearings)

Phasing in the Account

By its nature, the Cumulative Employment Account would pay benefits only after many years. Obviously, the phasing-in process must be accelerated so that benefits would be available immediately. Individual records of annual earnings, but not of time worked, are maintained by both the Canada and Quebec Pension Plans. Furthermore, the current $25,800 maximum for annual pensionable earnings is very close to the $25,740 maximum for annual insurable earnings for Unemployment Insurance. Even though the Cumulative Employment Account would be accumulated in terms of time, it would be translated into money when benefits are paid. The records of the Canada and Quebec Pension Plans, which go back to 1966, could serve as the basis for the calculation of benefits. These records would not give direct information about whether a full year had been worked, but to the extent that unemployment reduced pensionable earnings below the maximum, the data would provide an indirect indication.

At the present time information is available for 20 years, and it would take another 10 years before the Account could be drawn upon, if the 30-year threshold were maintained in the phase-in period. In order to ensure that benefits become available immediately, it is proposed that during a phasing-in period benefits would be based on the information available. Thus, if the program were instituted in 1987, 21 years of information would be available and would be sufficient to qualify for maximum benefits. In 1988, 22 years would be available and would be used to calculate benefits and so on, until the 30-year threshold could be met.

"Older persons who are victims of plant closures: we could list a number of clients who fall into this category. These people are the most deprived, the most disadvantaged of all. Something must be done for them. It is largely a question of adapting current programs which no longer have the scope and no longer answer the need." (Centrale de l'enseignement du Québec, Montréal hearings)

Alternatives to the Cumulative Employment Account

Several alternatives were considered in the development of this proposal.

The Cumulative Employment Account bears similarities to the Transitional Adjustment Assistance Program (TAAP) recommended by the Macdonald Royal Commission.[3] Among the activities that TAAP would support would be the following:

- funding of on-the-job training programs;

"Under the suggested eligibility criteria, the [Macdonald] Commission noted that concentrating the $4 billion of annual TAAP funds on the 253,000 workers who in 1984 had been unemployed at least one year would yield benefits of $15,800 per worker, and that further restricting the program to 150,000 would raise the per capita benefits to $26,700. The Commission also proposed that TAAP benefits for individual participants be proportioned to their length of time in the labour force up to a maximum of 15 or 20 years." (J.R. Kesselman, "The Royal Commission's Proposals for Income Security Reform," *Canadian Public Policy* 12 (February 1986, Supplement), p. 104)

- portable wage-subsidy programs;
- early retirement plans for older workers;
- mobility grants; and
- special projects financing, such as aiding in the funding of a cooperative purchase of a plant by the workers.

In terms of the clientele that TAAP is directed toward, it is clear that the Macdonald Royal Commission had in mind older workers with a labour force attachment of at least five years. To that degree TAAP, like the Cumulative Employment Account, is an extension of Unemployment Insurance to cover workers with a long-term labour force attachment. TAAP funding, however, would come from general revenues rather than from premiums. The only requirement specified is that the "entitlement to use TAAP must be based on their [the workers'] willingness to undertake adaptive behaviour."[4]

The major problem with the TAAP proposal is that it is targetted to persons who have been unemployed for longer than one year and is not generally available earlier. There are further concerns. Savings from the phasing-out of regionally extended benefits and other reforms are best devoted to an integrated human resource development strategy that includes, among other features, employment development, literacy programs and earnings supplementation. To direct savings to a small targetted population of Unemployment Insurance exhaustees as the TAAP proposal advocates, ignores the fact that the unemployment problem in Canada extends far beyond the concerns of long-term employees who lose their jobs and exhaust their benefits. By contrast, the Cumulative Employment Account is just one element in a range of initiatives intended to make the Canadian work force more adaptable.

Two further options to address the needs of older workers were considered. The first would use age alone to determine benefits. It would provide extended benefits for those over age 45, and each year worked beyond age 45 would result in an additional five weeks of Unemployment Insurance benefits, to a maximum of 50 weeks. This approach would be easier to administer than the Cumulative Employment Account, since it uses only age to determine benefits. The simplicity gained, however, would not be without costs. Age-based criteria may involve problems because of the Canadian Charter of Rights and Freedoms. Age, moreover, is not necessarily a good indicator of long-term attachment to the labour force. This approach would also rekindle concerns that, unless a minimum labour force attachment is required, workers might be induced to postpone retirement or enter the labour force simply to collect benefits. To avoid this, a minimum of 10 years or more of attachment to the labour force could be required. Restrictions similar to those contemplated under the Cumulative Employment Account would also be needed.

Another option would expand the role of the labour force extended benefits now provided in the current program. In the absence of regionally extended benefits, a person who has worked for a year would be eligible for a total of 38 weeks of benefits (25 weeks of regular benefits

"Trust companies and insurance companies would offer Registered Education and Retraining Fund (RERF) contracts to employers, labour unions and individual taxpayers to receive voluntary contributions which would be accumulated towards the day when job loss occurs, and upgrading of skills, or a change of industry and hence the learning of new skills becomes necessary." (Benetech Canada Inc., written brief) and 13 weeks of labour force extended benefits). If the goal was to provide a maximum of one additional year of benefits, this would require looking back an additional two years if the ratio of weeks worked to benefit duration were set at two to one. Again, benefits would be available not as a right but only if certain labour market adjustments were undertaken, such as education, training or moving from a high-unemployment area. The concern with this approach is that three years may be too short a period to warrant extended benefits. It is much shorter than the threshold suggested for the Cumulative Employment Account. For that reason, this approach was seen as failing to direct assistance to the long-term worker who is the real focus of concern.

The Consequences of Reform

The full impact of reform will be felt only after several transitional phases (discussed later in this chapter). Once fully implemented, the proposed reforms would have consequences which arise from two sources: the removal of regionally extended benefits; and the change in the premium-financed element of the program from one which provides a maximum of 60 percent of insurable earnings, based on 10 to 20 weeks of work, to one which bases benefits on 66 ⅔ percent of average weekly earnings over the past 52 weeks and pays benefits for a maximum of 50 weeks.

The consequences of these changes can be considered from several perspectives:

- the reallocation of federal funds under all of the proposals;
- the impact on selected individuals (typical workers) of shifting from the current program;
- the overall consequences of the change for the premium-financed part of the Unemployment Insurance Account; and
- the impact on provincial government expenditures (for social assistance, job creation, education, etc.).

Reallocation of Funds

As Figure 7.1 demonstrates, expenditures on Unemployment Insurance were close to $12 billion in 1985. The elimination of regionally extended benefits, the switch to Annualization, and the introduction of the Cumulative Employment Account would mean that just over $2.5 billion would be available to fund the range of intitiatives which constitute the proposed human resource development plan. This would be augmented by some $570 million from existing short-term job creation programs. Thus the overall total of funds available would be about $3.1 billion.

"Another problem is the different zones that we have in the province. We have found that on a construction site in mainland Nova Scotia, you may have members who live in four or five different counties and travel every night to their homes. It is also a possibility that these members may have the same amount of work over the last year, or the same amount of Unemployment Insurance stamps the second time around. Unfortunately, the members living in Halifax County may need 16 weeks or more and the members living outside of Halifax County need only 10 weeks." (Mainland Nova Scotia Building and Construction Trades Council, Halifax hearings)

Distributional Consequences

There are two important aspects of the distributional impact of the change to the Annualization approach: the impact on individuals and the aggregate impact. In any assessment of these impacts, it must be kept in mind that Annualization is only one element in a series of changes that are being proposed and that other changes will mitigate its effects.

Figure 7.1
Estimated Expenditures under Current System and after Full Implementation of Proposed Program (millions of 1985 dollars)

	Current program		After full Implementation
	Unemployment Insurance Account	General Revenue	Unemployment Insurance Account
Program expenditures			
Regular benefits	6,170	–	6,090
Regionally extended benefits	–	2,800	–
Sickness benefits	221	–	221
Maternity benefits	437	–	437
Work sharing (Section 37)	13	12	25[a]
Retirement benefit	22	–	–
Pension provisions	–	–	100[b]
Fishing benefits	–	180	–
Job creation (Section 38)	71	62	–
Training (Section 39)	126	109	–
Cumulative Employment Account	–	–	700[c]
Increased coverage of part-time workers	–	–	100[d]
Non-program expenditures			
Administration	1,000		1,000[e]
Interest	500		500
Total	8,560 +	3,163 = 11,723	9,173

a Existing work sharing would be funded entirely from premiums.
b This was the amount saved by the changes instituted in January 1986. It is therefore an overestimate of the cost of the proposal change.
c The costing of this kind of initiative is necessarily imprecise. The current estimate of $700 million is based on the assumption that 70 percent of exhaustees over age 55 would receive one year of additional benefits at $15,000 a year.
d This estimate is derived by assuming that part-time workers with between 8 and 14 hours have the same unemployment rate (an underestimate) and the same insurable earnings (an overestimate) as all workers, so that the cost of this initiative is 1.2 percent of program costs.
e No account is taken of reductions anticipated due to recommended changes in administration.

Source: CEIC *Statistical Bulletin*. Estimates prepared by the staff of the Commission of Inquiry.

The Impact on Individuals

Since the current program provides regionally extended benefits, total benefits depend on the local unemployment rate. Comparisons of the impact on individual workers must take this into account. Benefits in Toronto, Winnipeg and St. John's illustrate the overall impact of the changes proposed. These cities represent areas of low, moderate and high unemployment rates, respectively. The extent of the impact also depends on the number of weeks of employment and, therefore, within each city a range of weeks of employment is also considered. More detailed tables showing the impact on workers with different weeks of employment and different durations of unemployment are presented in Appendix G.

The first illustration is a short-term (10-week) worker whose average insured earnings are $400 a week.[5] In Toronto, where the unemployment rate was 5.8 percent in May 1986, this worker would receive no benefits under the current program because the minimum entrance requirement is 14 weeks. Under Annualization the worker would qualify for benefits of $51 a week for 50 weeks. If unemployment lasted for 52 weeks, total benefits would be $2,550.

"We have concentrated on changes that would increase labour force attachment. Anomalies, such as workers relocating to high unemployment regions to draw benefits equal to 240 to 300 percent of their previous earnings, have to be eliminated." (Canadian Federation of Independent Business, Ottawa hearings)

If that same short-term worker lived in Winnipeg, where the unemployment rate was 8.6 percent in May 1986, a similar situation would apply. There the minimum entrance requirement was 11 weeks and therefore no benefits would be paid under the current program. With Annualization the worker could receive the same benefits as the Toronto worker – a maximum of $2,550 over 52 weeks.

In St. John's, however, the situation would be quite different. There the local unemployment rate was 14.5 percent in May 1986. Under the current program a short-term (10-week) worker with insurable earnings of $400 a week receives $240 per week for up to 42 weeks, with maximum Unemployment Insurance benefits of $10,080. Under Annualization, weekly benefits would be $51 just as in Winnipeg and Toronto, and maximum benefits would be $2,550.

"One of the very few concrete measures that people in economically disadvantaged sections of the country can point to as in any way coping with that regional imbalance is the variable entrance requirement in Unemployment Insurance." (Coalition for Equality, St. John's hearings)

In the case of a part-year (30-week) worker earning $400 a week, weekly benefits in Toronto under the current system are $240 for a maximum of 35 weeks, and maximum total benefits are $8,400. In Winnipeg the current system pays $240 a week, but for a maximum of 45 weeks because of the higher local unemployment rate, so that maximum total benefits are $10,800. Finally, in St. John's under the current system the same worker receives $240 per week for 50 weeks, so that maximum total benefits are $12,000. Annualization would again treat all workers the same in Winnipeg, Toronto and St. John's. Under Annualization, weekly benefits would be $154 for up to 50 weeks, so the maximum benefits would be $7,700.

"Regional benefits are the source of the greater part of the incentive problems in the current Unemployment Insurance system. To reduce the extent of these problems, it is necessary to restore a closer link between time worked and the length of eligibility for benefits." (Fisheries Council of Canada, written brief)

In Toronto, for a full-year worker whose insurable earnings are $400 a week, maximum benefits under the current program are $11,040, or $240 a week for 46 weeks. Annualization would provide maximum benefits of $13,300, or $266 a week for 50 weeks. The pattern in Winnipeg and St. John's would be similar. In both cities the current maximum is $12,000, whereas under Annualization it would be $13,300.

The impact on the individual is complex and depends critically on weeks of employment, duration of the unemployment spell, and the local unemployment rate. Longer-term workers are generally better off and short-term workers worse off under Annualization, although there are important exceptions because of the change to a standard entrance requirement, as the Toronto and Winnipeg examples illustrate.

The Aggregate Consequences

"We want regional unemployment rates taken into account when benefit eligibility criteria are determined." (Action chômage Kamouraska, inc., Québec hearings)

"We would like Unemployment Insurance to be everyone's right regardless of where they live and with the same number of weeks for all." (Mouvement action chômage de Québec inc., Québec hearings)

"We talked about the ten-week idea, and that some people, through no fault of their own can't do any better than that and think in those terms. It's also a fact that governments create that mentality themselves, because governments in fact have some job creation programs which suit the Unemployment Insurance requirements." (Government of Prince Edward Island, Charlottetown hearings)

The consequences of phasing out regionally extended benefits were discussed in Chapter 4. In this chapter the change from the current system without regionally extended benefits to Annualization is analyzed. In the consideration of aggregate consequences, the focus is on the net impact of change rather than on whether some individuals within a certain category receive greater benefits while others receive lower benefits. The impact on individuals would depend on such matters as the length of time worked, average insurable earnings, and duration of unemployment. The estimated impact of Annualization is based on the assumption of no behavioural change. By contrast, if it was assumed that all exhaustees would receive benefits for 50 weeks, total expenditures would increase by about 3 percent rather than fall by 1 percent. More details are to be found in Appendix G.

In terms of weeks of insured employment, the shift to Annualization would redistribute benefits away from short-term workers and toward longer-term workers (see Figure 7.2). The proposed changes would also mean that the program would be more generous to those who are unemployed for longer periods (see Figure 7.3). The impact of the proposals by level of earnings reflects the more unstable employment patterns of low-income workers. Since their employment during the year

Figure 7.2

Estimated Effect of Annualization by Weeks of Insurable Employment

Weeks of insurable employment	Number of beneficiaries in current program	Current program		Annualization	
		With regionally extended benefits ($ millions)	Without regionally extended benefits ($ millions)	Benefits paid ($ millions)	Change from current program without regionally extended benefits
Under 20	419,000	2,000	690	580	−16%
20–29	573,000	2,500	1,570	1,250	−20%
30–39	333,000	1,210	960	870	−9%
40–49	324,000	1,180	990	1,120	+13%
50 & over	434,000	2,070	1,940	2,260	+16%
Total[a]	2,084,000	8,970	6,170	6,090	−1%

[a] Totals may not add due to rounding.

Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

tends to be more sporadic, they would be harder hit by the shift to Annualization (see Figure 7.4).

The provincial distribution reflects the extent to which the above three characteristics are prevalent in the labour market of each province. The more employment and unemployment are short term, the more likely it is that a province would suffer from a change from the current system without regionally extended benefits to an annualized system (see Figure 7.5).

In general, the change from the current system without regionally extended benefits to Annualization would increase benefits for those longer-term workers who are unemployed for a year or more and would reduce benefits for short-term and seasonal workers. The impact of these

"Insurance itself is a very limited concept. A limited range of people qualify for it and a limited range of people will get adequate benefits out of it. What do you do with the rest of the people? What do you do to top up the benefits if they are inadequate?"
(Manitoba Federation of Labour, Winnipeg hearings)

Figure 7.3
Estimated Effect of Annualization by Duration of Unemployment

Duration of unemployment (weeks)	Number of beneficiaries in current program	Current program		Annualization	
		With regionally extended benefits ($ millions)	Without regionally extended benefits ($ millions)	Benefits paid ($ millions)	Change from current program without regionally extended benefits
1–10	367,000	260	260	200	−23%
11–20	359,000	830	820	590	−28%
21–30	362,000	1,440	1,230	920	−25%
31–40	350,000	2,030	1,260	1,160	−8%
41 & over	524,000	4,410	2,600	3,210	+23%
Total[a]	2,084,000[b]	8,970	6,170	6,090	−1%

[a] Totals may not add due to rounding.
[b] Includes claimants with a duration of zero.
Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Figure 7.4
Estimated Effect of Annualization by Weekly Earnings

Weekly earnings (in 1985 dollars)	Number of beneficiaries in current program	Current program		Annualization	
		With regionally extended benefits ($ millions)	Without regionally extended benefits ($ millions)	Benefits paid ($ millions)	Change from current program without regionally extended benefits
Under $200	454,000	1,080	710	670	−6%
$200–400	1,052,000	4,660	3,120	3,040	−3%
$400 & over	578,000	3,230	2,340	2,370	+1%
Total[a]	2,084,000	8,970	6,170	6,090	−1%

[a] Totals may not add due to rounding.
Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

changes is reflected in the provincial analysis. The overall reduction in benefits, including those due to the phasing-out of regionally extended benefits, however, would be replaced by expenditures on Earnings Supplementation and other human resource development programs.

"We feel it would be inappropriate to increase the rate of contribution by employees and employers at this time." (Halifax Board of Trade, Halifax hearings)

The Impact on Premiums

As can be seen from Figure 7.6, the total amount chargeable to the Unemployment Insurance Account would be similar for the current program and Annualization. Regionally extended benefits and fishing benefits have no net impact on the Account because outlays under these headings are paid for by special government contributions. The "special benefits" such as maternity, sickness and work sharing stay essentially the same. The three-week retirement benefit is eliminated and premiums would be used to cover all of the work-sharing benefits. Job creation and training benefits disappear but are replaced by the Cumulative Employment Account. Figure 7.6 does not include any anticipated net savings in non-program expenditures as a result of program streamlining and increases in productivity. Consequently, the full implementation of the recommendations would seem to carry few implications for the level of premiums.

"Allow people to pay a larger premium to UI if they want to have their benefits paid for a longer period of time or to offset the eligibility period when necessary." (Northern Alberta and Northwest Territories Building and Construction Trades Council, Edmonton hearings)

The Impact on Provincial Government Expenditures

Estimating the extent to which changes in the Unemployment Insurance program would affect provincial social assistance expenditures is complicated by the fact that Unemployment Insurance benefits are paid on an individual basis and depend on previous earnings, while social assistance benefits are needs tested and so take into account not only family income but also assets. Available information on Unemployment Insurance recipients does not permit reliable determination of the number who would qualify for social assistance.

"What does UI mean to children? The income is not adequate for those with dependants. It is not enough to put three decent meals on the table every day. My children have fresh milk once every three days, just as an example." (Jobs or Income Now Coalition, Vancouver hearings)

"The duration of UI benefits should take into account regional economic conditions and the regional unemployment rate. That is, after the maximum number of benefit weeks payable in the full benefit period, the Act could provide for certain differences for economically weak or disadvantaged regions, depending on economic circumstances." (Syndicat de l'emploi et de l'immigration du Canada, Montréal hearings)

In the absence of more direct information, the following reasoning has been used. It is expected that the number of claimants receiving less than $100 a week would triple. Currently, about 3 percent of claimants eventually become social assistance recipients (30 percent of Unemployment claimants remain on claim until benefits are exhausted, and 10 percent of exhaustees claim social assistance). The number of social assistance beneficiaries might increase by about 150,000 or 9 percent. It should be kept in mind that these individuals are employable and hence unlikely to stay on social assistance for a whole year. In the absence of the proposed Earnings Supplementation Program, this increase would probably raise social assistance costs nationally by about $486 million, which would be cost-shared under the Canada Assistance Plan so that the cost to the provinces could be about $243 million. Current provincial expenditures in this area total $5.4 billion. While the reduction in Unemployment Insurance expenditures by themselves would likely increase provincial expenditures on social assistance, this potential effect could be entirely offset by the introduction of initiatives such as

Figure 7.5
Estimated Effect of Annualization by Province

	Number of beneficiaries in current program	Current program		Annualization	
		With regionally extended benefits ($ millions)	Without regionally extended benefits ($ millions)	Benefits paid ($ millions)	Change from current program without regionally extended benefits
Newfoundland	91,000	460	240	220	−8%
Prince Edward Island	17,000	90	50	40	−20%
Nova Scotia	83,000	380	250	240	−4%
New Brunswick	91,000	470	250	240	−4%
Quebec	628,000	2,810	1,940	1,890	−3%
Ontario	615,000	2,160	1,650	1,620	−2%
Manitoba	68,000	270	210	200	−5%
Saskatchewan	55,000	220	180	160	−11%
Alberta	177,000	740	530	570	+8%
British Columbia	252,000	1,260	850	890	+5%
Total[a]	2,084,000	8,970	6,170	6,090	−1%

[a] Total includes territories. Totals may not add due to rounding.

Notes Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Figure 7.6
Estimated Effect of Annualization on Premium-Financed Expenditures
(millions of 1985 dollars)

	Present program	Proposed program
Program expenditures:[a]		
Regular benefits	6,170	6,090
Sickness benefits	221	221
Maternity benefits	437	437
Retirement benefits	22	–
Pension provisions	–	100
Work sharing	13	25
Job creation	71	–
Training	126	–
Cumulative Employment Account	–	700
Increased coverage of part-time workers	–	100
Non-program expenditures:		
Administration	1,000	1,000[b]
Interest	500	500
Total for Unemployment Insurance Account	8,560	9,173

[a] Excludes regionally extended benefits and fishermen's benefits.

[b] Excludes anticipated reductions in administrative costs.

— = not applicable.

Earnings Supplementation and other elements of the human resource development plan which would be part of the negotiated agreements with individual provinces.

It should also be noted that the transitional plan laid out in the following section will mean that the full impact of any cost increase would be felt only after the program is fully phased in. In addition, the proposed transition period would provide an opportunity to adjust the proposals if provincial expenditures on social assistance should rise unexpectedly.

The Transition

"The Unemployment Insurance program should be reformulated so that it once again fulfills its original function: to serve strictly as a form of insurance for those Canadians who, for a variety of reasons, are experiencing short-term unemployment (a year or less in duration)." (Government of Alberta, written brief)

Annualization is very different from the current program, and it was not possible, within the time allotted to this Commission of Inquiry, to develop in comparable detail the proposals for Earnings Supplementation and other programs and then to analyze the impact of all of the proposals in relation to one another. Time to monitor, to do more detailed analysis of implications, to adjust and to adapt is essential, and for these and other reasons the transition phase is crucial.

One objective of the phasing-in process for Annualization was to avoid very large changes in individual benefits as one phase of the plan gives way to another. A second objective was to avoid intermediate steps that would be cumbersome or difficult to administer. A third objective was to have a process that could be adjusted to the pace of change in other elements of the human resource development plan. Finally, the phasing-in process was designed to permit time to monitor the proposed changes, to hold consultations on successive changes, and to assess their impact on individuals and regions before seemingly irrevocable steps were taken. Embarking on the change to the proposed new program will require both courage and caution, and the transition has been designed in stages so that it can be accomplished gradually as circumstances warrant.

One possible method is to move toward Annualization "a quarter at a time." The earnings base for benefit calculation would be 13 weeks during the first stage, 26 weeks in the second, 39 weeks in the third, and 52 weeks in the fourth. In each stage, benefits would be calculated on the basis of average weekly earnings over the period specified, but would be paid over 50 weeks. Because of the uncertainty over so many factors, these steps have not been expressed in years. It is envisaged, however, that full implementation could be effected within five years.

In effect, regionally extended benefits would be retained in the first stage, since all recipients would receive 50 weeks of benefits based on only 13 weeks of insurable earnings. Indeed, some short-term workers in low-unemployment regions would actually gain, since the minimum entrance requirement of 350 hours would be introduced. In the option simulated, this change is made in Phase 1, but it could be introduced gradually or at a later stage. To offset the increased costs due to the increased benefit duration, however, the replacement ratio would be maintained at 60 percent in the initial stage of the transition.

In the second stage, benefits would continue to be calculated as 60 percent of insurable earnings but these would be averaged over 26 weeks rather than the 13 weeks used in the first stage. The third stage would involve two changes, a move from 60 percent to 66 ⅔ percent in calculating benefits, and a move to a period of 39 weeks in calculating average insurable earnings. In the final stage, benefits would be calculated as 66 ⅔ percent of average insurable earnings over the previous 52 weeks.

The Impact on Individuals

Phase 1

The impact of the first phase would be felt mostly by short-term workers who work less than 13 weeks in a year. If they live in a low-unemployment region, their benefits would actually increase because of the lower entrance requirement of 350 hours. If they live in a high-unemployment region, benefits would be reduced. For example, in St. John's, where unemployment is 14.5 percent, a 10-week worker unemployed for 20 weeks would experience a reduction in total benefits of $990. A similar worker living in Winnipeg or Toronto would receive an additional $3,330, since under the current program 10-week workers in those cities do not qualify for benefits. In this first phase, longer-term workers would be largely unaffected by the change.

Phase 2

Making 26 weeks the basis for calculating benefits means that all of those who work less than 26 weeks would experience a reduction in benefits. The 10-week worker unemployed for 20 weeks in St. John's, Winnipeg or Toronto would suffer a reduction of $1,674 from the Phase 1 benefits.

Phase 3

The 39-week base extends the losses to all those who work less than 39 weeks in a year. In this phase, however, these losses would be offset slightly by the introduction of a 66 ⅔ percent replacement ratio. Those who work less than 39 weeks would see their benefits further reduced by $432 from Phase 2 benefits.

Phase 4

The final step to full Annualization would involve introducing the full 52 weeks as the basis for benefit calculation. The final benefit reduction would be $306. Some longer-term workers, however, would be entitled to an increase in benefits.

Figure 7.7

Estimated Effect of Phase 1 of Implementation Scheme by Province

	Number of beneficiaries in current program	Current program benefits paid ($ millions)	Phase 1 of Annualization	
			Benefits paid ($ millions)	Change
Newfoundland	91,000	460	440	−4%
Prince Edward Island	17,000	90	90	0%
Nova Scotia	83,000	380	370	−3%
New Brunswick	91,000	470	450	−4%
Quebec	628,000	2,890	2,840	−2%
Ontario	616,000	2,160	2,150	0%
Manitoba	68,000	270	270	0%
Saskatchewan	55,000	220	220	0%
Alberta	177,000	740	740	0%
British Columbia	252,000	1,260	1,240	−2%
Total[a]	2,084,000	8,970	8,850	−1%

[a] Total includes the territories. Totals may not add due to rounding.

Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Figure 7.8

Estimated Effect of Phase 2 of Implementation Scheme by Province

	Number of beneficiaries in current program	Phase 1 benefits paid ($ millions)	Phase 2 of Annualization	
			Benefits paid ($ millions)	Change
Newfoundland	91,000	440	330	−25%
Prince Edward Island	17,000	90	70	−22%
Nova Scotia	83,000	370	320	−14%
New Brunswick	91,000	450	340	−24%
Quebec	628,000	2,840	2,460	−13%
Ontario	616,000	2,150	1,960	−9%
Manitoba	68,000	270	250	−7%
Saskatchewan	55,000	220	210	−5%
Alberta	177,000	740	690	−7%
British Columbia	252,000	1,240	1,110	−10%
Total[a]	2,084,000	8,850	7,740	−13%

[a] Total includes the territories. Totals may not add due to rounding.

Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Figure 7.9

Estimated Effect of Phase 3 of Implementation Scheme by Province

	Number of beneficiaries in current program	Phase 2 benefits paid ($ millions)	Phase 3 of Annualization	
			Benefits paid ($ millions)	Change
Newfoundland	91,000	330	280	−15%
Prince Edward Island	17,000	70	60	−14%
Nova Scotia	83,000	320	290	−9%
New Brunswick	91,000	340	300	−12%
Quebec	628,000	2,460	2,250	−9%
Ontario	616,000	1,960	1,900	−3%
Manitoba	68,000	250	240	−4%
Saskatchewan	55,000	210	200	−5%
Alberta	177,000	690	660	−4%
British Columbia	252,000	1,110	1,050	−5%
Total[a]	2,084,000	7,740	7,220	−7%

[a] Total includes the territories. Totals may not add due to rounding.

Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Figure 7.10

Estimated Effect of Final Stage of Implementation Scheme by Province

	Number of beneficiaries in current program	Phase 3 benefits paid ($ millions)	Full Annualization	
			Benefits paid ($ millions)	Change
Newfoundland	91,000	280	220	−21%
Prince Edward Island	17,000	60	40	−33%
Nova Scotia	83,000	290	240	−17%
New Brunswick	91,000	300	240	−20%
Quebec	628,000	2,250	1,890	−16%
Ontario	616,000	1,900	1,620	−15%
Manitoba	68,000	240	200	−17%
Saskatchewan	55,000	200	160	−20%
Alberta	177,000	660	570	−14%
British Columbia	252,000	1,050	890	−15%
Total[a]	2,084,000	7,220	6,090	−16%

[a] Total includes the territories. Totals may not add due to rounding.

Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

The Aggregate Consequences

The aggregate impact as the current program is phased out and the proposed program introduced has been analyzed on a province-by-province basis. See Appendix G for information on the limitations and assumptions of the simulations used.

The impact of Phase 1 is to reduce overall expenditures by 1 percent (see Figure 7.7). The reduction would be concentrated in the Atlantic provinces and British Columbia. Since this phase effectively retains regionally extended benefits, the total dollars available for other human resource initiatives would be $120 million.

The impact of Phase 2 (Figure 7.8) would be to reduce benefits by 13 percent, with greater-than-average reductions in the Atlantic provinces and Quebec. The total funds available for use in other human resource initiatives would be $1,110 million. The pattern of change is more uniform in Phase 3 (Figure 7.9) and the total saved is $520 million or 7 percent.

In Phase 4 (Figure 7.10), the impact of the shift from 39 weeks to 52 as the base for benefit calculation reduces benefits by 16 percent. As in the previous phase, the provincial distribution of these changes is relatively uniform. This final step makes a further $1,130 million available for income supplementation and other purposes.

Summary of the Proposed Changes and Recommendations

The needs of the unemployed for jobs, money, skills and options, and the appropriate responses to those needs, have been discussed in Part II. The responses include programs to increase the flexibility of the labour market, improve literacy and training, provide income supplementation programs, and create community and employment development programs. Within this context the role for Unemployment Insurance can be made much more specific than it is at present. In large measure, that is because the income supplementation aspects of the current program can be transferred into a more appropriate policy and program context. Indeed, the upgrading of the various components of an integrated human resource development strategy has been made possible by the redeployment of these funds.

Recommendations

23 A new Unemployment Insurance program should be developed and implemented. Features of the program should include:

- a standard cumulative entrance requirement of 350 hours;
- benefits based on average weekly insurable earnings in the 52 weeks prior to unemployment;
- benefits paid in 50 weekly instalments after a two-week waiting period;
- benefits to equal 66 2/3 percent of insurable earnings in the third phase of implementation;
- an annual maximum insurable earnings limit applied according to the employer's pay periods; and
- a system of credit banking.

24 The reformed program should be introduced in four phases.

- Phase 1: benefits would be based on the average weekly benefits over 13 weeks, paid in 50 weekly instalments, and would be 60 percent of insurable earnings.
- Phase 2: benefits would be based on the average weekly benefits over 26 weeks, paid in 50 instalments, and would be 60 percent of insurable earnings.
- Phase 3: benefits would be based on the average weekly earnings over 39 weeks, paid in 50 instalments, and would be 66 2/3 percent of insurable earnings.
- Phase 4: benefits would be based on the average weekly earnings over 52 weeks, paid in 50 instalments, and would be 66 2/3 percent of insurable earnings.

25 A Cumulative Employment Account should be developed, having the following features:

- Credits would accrue at the rate of two weeks for every year worked, to a maximum of 25 years of credit.
- Benefits could be withdrawn only after a 30-year threshold.
- Benefits could be used to (a) top up Unemployment Insurance benefits to 66 2/3 percent of the previous five years, and (b) top up or extend benefits for those undertaking training, retraining or mobility. Benefits could be extended to a maximum of 52 weeks.

A supplementary statement by Commissioner R. F. Bennett regarding Recommendations 24 and 25 is contained in Part V of this report.

Other Options for the Core Program

In the search for reforms of the current program, more than a hundred permutations and combinations were considered. Three of these are analyzed here to provide further insights into the trade-offs involved in reaching the proposed direction of reform. The first option is an approach that relates weeks of benefit to weeks of work on a one-for-one basis. The second option is the reform package proposed by the Macdonald Royal Commission. The third is a modification of the present system, chosen because it illustrates the consequences of enriching Unemployment Insurance.

The One-for-One Option

Both Annualization and the One-for-One option effectively remove regionally extended benefits and replace them with a structure which ensures a much closer relationship between weeks of work and weekly benefits, and between insurable earnings and total benefits. The major difference between the two is the period of time each uses to calculate benefits and the duration of the benefit period. The Annualization option looks back 52 weeks and pays benefits for 50 weeks, whereas the One-for-One option looks back only 28 weeks and pays benefits for up to 28 weeks.

The One-for-One option eliminates both labour force extended benefits and regionally extended benefits, and provides benefits on a one-for-one basis up to a maximum of 28 weeks. Thus, 10 weeks of insurable employment would result in 10 weeks of benefits, 15 weeks of work would qualify for 15 weeks of benefits, and so on. The replacement ratio would, as now, be 60 percent and would be applied to average insurable earnings in the last 13 weeks. To be eligible, a minimum of 10 weeks must be worked in the previous 28.

The One-for-One option affects not only the way in which benefits are calculated, but also how they are paid out. It pays benefits for a maximum of 28 weeks. Annualization would pay benefits for a maximum of 50 weeks, while benefits under the current system would last for as little as 25 weeks and as much as 50 weeks, depending on labour force attachment and the local unemployment rate. Thus, the One-for-One option provides shorter maximum duration of benefits than either the current system or Annualization.

To illustrate the differences between Annualization and One-for-One, an analysis is presented at both the individual and the aggregate level.

The Impact on Individuals

As in previous examples, the case of a worker earning $400 a week in Toronto and St. John's is used to illustrate the impact on individuals. For the 10-week worker in Toronto, the One-for-One option would result in maximum benefit entitlement of $2,400, while under Annualization the maximum would be $2,550. Under the present program no benefits would be paid to him, since the minimum qualifying period in Toronto is 14 weeks of work. In St. John's the maximum benefit entitlement for this same worker under the One-for-One option would again be $2,400. This compares with a maximum of $2,550 under Annualization, and $10,080 under the current program.

A 30-week worker earning $400 a week in Toronto would have maximum benefit entitlement of $6,720 under One-for-One, $7,700 under Annualization, and $8,400 under the current program. In St. John's the corresponding figures would be $6,720 for One-for-One, $7,700 for Annualization, and $12,000 under the current program.

For the full-year worker in Toronto, total benefit entitlement under the One-for-One option would be $6,720, as compared to $13,300 under Annualization and $11,040 under the current system. In St. John's the corresponding benefit entitlement would be $6,720 under One-for-One, $13,300 under Annualization, and $12,000 under the current system. The level of benefits actually paid would, however, probably be similar under all three options because a relatively small percentage of full-year workers are unemployed for more than 30 weeks.

Figures 7.11 and 7.12 illustrate the impact of the current program, Annualization and the One-for-One option on workers with different weeks worked.

Figure 7.11

Weekly Benefits and Eligible Weeks at 5.8 Percent Unemployment and Insurable Earnings of $400 per Week

(Dollars)

Weeks worked	Current program		Annualization		One-for-One option	
	Weekly benefits	Eligible weeks	Weekly benefits	Eligible weeks	Weekly benefits	Eligible weeks
10	240	0	51	50	240	10
20	240	28	102	50	240	20
30	240	35	154	50	240	28
40	240	40	205	50	240	28
50	240	45	256	50	240	28
52	240	56	266	50	240	28

Figure 7.12

Maximum Potential Benefits at 5.8 Percent Unemployment and Earnings of $400 per Week

(Dollars)

Weeks worked	Current program	Annualization	One-for-One option
10	0	2,520	2,400
20	6,720	5,100	4,800
30	8,400	7,700	6,720
40	9,600	10,250	6,720
50	10,800	12,800	6,720
52	11,040	13,300	6,720

These tables bring out major differences between Annualization and the One-for-One option. First, Annualization pays small weekly benefits to workers with few weeks worked and higher weekly benefits for those with longer-term employment. Since Annualization pays benefits for 50 weeks rather than only 28 weeks, however, total benefits are higher under Annualization if unemployment lasts more than 28 weeks.

Where weeks worked are fewer than 28, the difference in total potential benefits between the One-for-One option and Annualization is due to the different replacement ratios. Beyond 28 weeks, however, the One-for-One option does not provide increased benefits for the additional weeks worked, while Annualization does. This fact explains the increasing spread between the two options. If an individual worked for 52 weeks earning $400 a week before becoming unemployed, the maximum benefit entitlement under the One-for-One option would be $6,720, which is 28 times the weekly benefit payable ($240). The maximum benefit with Annualization would be $13,300, which is 50 times the weekly benefit under that option ($266).

Both alternatives avoid the current situation, in which total annual entitlements increase if earnings are bunched. Both the One-for-One option and Annualization improve equity in this respect, as they reduce the extent to which the program attracts persons into short-term employment simply to take advantage of benefits.

Annualization is more stringent on the regular repeater or the seasonal worker than is the One-for-One option. For example, for a worker who regularly works 20 weeks each year at maximum insurable earnings, the current system would pay benefits of $8,910, even though total eligible benefits at regional unemployment rates in excess of 11.5 percent would be $14,850. The One-for-One option would pay $4,800 and the Annualization approach would pay only $3,060.

The Aggregate Consequences

The One-for-One option has been designed to cost virtually the same as Annualization, approximately $6.0 billion a year.[6] (See Appendix G for limitations and assumptions on simulations used.)

Figure 7.13 compares the impact of the current program, the One-for-One option and Annualization on persons who have worked for various lengths of time. In this and the following three figures the impact of options on actual payments is estimated and is based on the assumption that the change from the current program would not alter work patterns.

As Figure 7.13 demonstrates, a major difference between Annualization and the One-for-One option is that the former is relatively harsher on short-term workers and more generous to full-year workers. Indeed, Annualization at 66 ⅔ percent is more generous to full-year workers than is the current system.

The impact of the two options can also be compared by considering the duration of unemployment. Figure 7.14 shows that the impact of

Figure 7.13

Estimated Effect of One-for-One Option by Weeks of Insurable Employment

Weeks of insurable employment	Number of beneficiaries in current program	Current program with regionally extended benefits ($ millions)	Annualization		One-for-One	
			Benefits paid ($ millions)	Change	Benefits paid ($ millions)	Change
Under 20	419,000	2,000	580	−71%	840	−58%
20–29	573,000	2,500	1,250	−50%	1,710	−32%
30–39	333,000	1,210	870	−28%	970	−20%
40–49	324,000	1,180	1,120	−5%	900	−24%
50 & over	434,000	2,070	2,260	+9%	1,490	−28%
Total[a]	2,084,000	8,970	6,090	−32%	5,900	−34%

[a] Totals may not add due to rounding.

Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Figure 7.14

Estimated Effect of One-for-One Option by Duration of Unemployment

Duration of unemployment (weeks)	Number of beneficiaries in current program	Current program with regionally extended benefits ($ millions)	Annualization		One-for-One	
			Benefits paid ($ millions)	Change	Benefits paid ($ millions)	Change
1–10	367,000	260	200	−23%	260	0%
11–20	359,000	830	590	−29%	820	−1%
21–30	362,000	1,440	920	−36%	1,270	−12%
31–40	350,000	2,030	1,160	−43%	1,270	−37%
41 & over	524,000	4,410	3,210	−27%	2,290	−48%
Total[a]	2,084,000[b]	8,970	6,090	−32%	5,900	−34%

[a] Totals may not add due to rounding.

[b] Includes claimants with duration of zero weeks.

Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Annualization is relatively uniform when compared on the basis of benefit duration, whereas the One-for-One option tends to reduce benefits relatively more for beneficiaries who remain unemployed for longer periods.

When weekly earnings are taken into account, however, the pattern is somewhat different (see Figure 7.15). Annualization tends to reduce benefits more for those with low earnings (which are correlated with fewer weeks of employment), while the One-for-One option has a relatively uniform impact on the various earnings groups.

Finally, the provincial impacts of the two options are considered in Figure 7.16. As the figure demonstrates, while both options reduce overall expenditures by approximately the same amount – Annualization by 32 percent and One-for-One by 34 percent – the provincial impact is slightly different. The One-for-One option is more generous to the Atlantic provinces and less generous to British Columbia and Alberta.

On balance, while the One-for-One option is more generous to short-term workers and seasonal workers, its less generous treatment of long-term workers makes this option less acceptable than the Annualization approach. Annualization is more oriented to longer-duration unemployment, which is increasingly prevalent.

The Proposals of the Macdonald Royal Commission

The Macdonald Royal Commission's recommendations on Unemployment Insurance are part of a more general reform package which includes the introduction of a Universal Income Security Program and a Temporary Adjustment Assistance Program. Their proposals for Unemployment Insurance reform are of interest not only because they were developed by a Royal Commission with a broad mandate to review Canada's economic performance, but also because they illustrate the consequences of changing individual elements without a fundamental alteration of the program itself. Although their proposals suggested a range of changes, specific values are used in this analysis to facilitate comparisons. The changes are as follows: the minimum weeks required to qualify are increased to a uniform 20 weeks; benefit levels are reduced from 60 to 50 percent of insured earnings; two weeks of work are required for each week of benefits; and regionally extended benefits are eliminated.

The Impact on Individuals

As with previous options, comparisons are undertaken using both short-term and full-year workers in Toronto and St. John's.

A 10-week worker in Toronto who earned $400 a week and was unemployed for 20 weeks would receive no benefits under either the current program or the Macdonald Royal Commission proposal. That same worker living in St. John's would receive $4,320 in benefits under the current system but would not be eligible under the Macdonald Royal Commission proposal.

Figure 7.15
Estimated Effect of One-for-One Scheme by Weekly Earnings

Weekly earnings (in 1985 dollars)	Number of beneficiaries in current program	Current program with regionally extended benefits ($ millions)	Annualization		One-for-One	
			Benefits paid ($ millions)	Change	Benefits paid ($ millions)	Change
under $200	454,000	1,080	670	−38%	710	−34%
$200–400	1,052,000	4,660	3,040	−35%	3,010	−35%
$400 & over	578,000	3,230	2,370	−27%	2,180	−33%
Total[a]	2,084,000	8,970	6,090	−32%	5,900	−34%

[a] Totals may not add due to rounding.
Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Figure 7.16
Estimated Effect of One-for-One Scheme by Province

	Number of beneficiaries in current program	Current program with regionally extended benefits ($ millions)	Annualization		One-for-One	
			Benefits paid ($ millions)	Change	Benefits paid ($ millions)	Change
Newfoundland	91,000	460	220	−52%	240	−48%
Prince Edward Island	17,000	90	40	−56%	50	−44%
Nova Scotia	83,000	380	240	−37%	250	−34%
New Brunswick	91,000	470	240	−49%	260	−45%
Quebec	628,000	2,890	1,890	−35%	1,860	−36%
Ontario	616,000	2,160	1,620	−25%	1,510	−30%
Manitoba	68,000	270	200	−26%	200	−26%
Saskatchewan	55,000	220	160	−27%	170	−23%
Alberta	177,000	740	570	−23%	530	−28%
British Columbia	252,000	1,260	890	−29%	810	−36%
Total[a]	2,084,000	8,970	6,090	−32%	5,900	−34%

[a] Total includes territories. Totals may not add due to rounding.
Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

A full-year worker who earned $400 and was unemployed for 52 weeks would receive $11,040 in Toronto under the current program but only $5,200 under the Macdonald Royal Commission proposal. In St. John's the same worker would receive $12,000 under the current program but only $5,200 under the Macdonald Royal Commission proposal.

The Aggregate Consequences

In the aggregate, the impact of these changes would reduce overall expenditures by about 53 percent, in the absence of any induced changes in work patterns. Short-term workers would be adversely affected both by the higher entrance requirement and by the shift to a two-to-one ratio of work weeks to benefit weeks (see Figure 7.17).

The lower ratio of benefit weeks to work weeks and the elimination of regionally extended benefits reduce the availability of longer-term benefits (see Figure 7.18). The Macdonald Royal Commission changes would have a more severe impact on workers with low earnings, particularly those who earn less than $200 a week (see Figure 7.19) Finally, Figure 7.20 sets out the provincial impact of this particular combination of the Macdonald Royal Commission proposals.

In terms of the principles of equity, incentives, integrity and simplicity, the Macdonald Royal Commission's proposals would have the following effects. Since they impose a high fixed entry requirement, an individual who worked 19 weeks would not qualify, while one who worked 20 weeks would. This could be regarded as inequitable. Requiring two weeks of work to receive one week of benefits may also be inequitable, since in some occupations it is possible to work year-round while in others the season is limited by weather, government regulation and other uncontrollable conditions.

Figure 7.17

Effect of the Macdonald Royal Commission Proposal by Weeks of Insurable Employment

Weeks of insurable employment	Number of beneficiaries in current program	Current program with regionally extended benefits ($ millions)	Annualization		Macdonald proposal	
			Benefits paid ($ millions)	Change	Benefits paid ($ millions)	Change
Under 20	419,000	2,000	580	–71%	0	–100%
20–29	573,000	2,500	1,250	–50%	960	–62%
30–39	333,000	1,210	870	–28%	710	–41%
40–49	324,000	1,180	1,120	–5%	770	–35%
50 & over	434,000	2,070	2,260	+9%	1,770	–14%
Total[a]	2,084,000	8,960	6,090	–32%	4,200	–53%

[a] Totals may not add due to rounding.

Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Figure 7.18

Effect of the Macdonald Royal Commission Proposal by Duration of Unemployment

Duration of unemployment (weeks)	Number of beneficiaries in current program	Current program with regionally extended benefits ($ millions)	Annualization		Macdonald proposal	
			Benefits paid ($ millions)	Change	Benefits paid ($ millions)	Change
1–10	367,000	260	200	−23%	230	−12%
11–20	359,000	830	590	−29%	660	−20%
21–30	362,000	1,440	920	−36%	780	−46%
31–40	350,000	2,030	1,160	−43%	690	−66%
41 & over	524,000	4,410	3,210	−27%	1,840	−58%
Total[a]	2,084,000[b]	8,970	6,090	−32%	4,200	−53%

[a] Totals may not add due to rounding.
[b] Includes claimants with zero weeks.
Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Figure 7.19

Effect of the Macdonald Royal Commission Proposal by Weekly Earnings

Weekly earnings (in 1985 dollars)	Number of beneficiaries in current program	Current program with regionally extended benefits ($ millions)	Annualization		Macdonald proposal	
			Benefits paid ($ millions)	Change	Benefits paid ($ millions)	Change
Under $200	454,000	1,080	670	−38%	450	−58%
$200–400	1,052,000	4,660	3,040	−35%	2,070	−56%
$400 & over	578,000	3,230	2,370	−27%	1,690	−48%
Total[a]	2,084,000	8,970	6,270	−32%	4,200	−53%

[a] Totals may not add due to rounding.
Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Figure 7.20

Estimated Effect of the Macdonald Royal Commission Proposal by Province

	Number of beneficiaries in current program	Current program with regionally extended benefits ($ millions)	Annualization		Macdonald proposal	
			Benefits paid ($ millions)	Change	Benefits paid ($ millions)	Change
Newfoundland	91,000	460	220	−52%	120	−74%
Prince Edward Island	17,000	90	40	−56%	20	−78%
Nova Scotia	83,000	380	240	−37%	160	−58%
New Brunswick	91,000	470	240	−49%	130	−72%
Quebec	628,000	2,890	1,890	−35%	1,290	−55%
Ontario	616,000	2,160	1,620	−25%	1,170	−46%
Manitoba	68,000	270	200	−26%	150	−44%
Saskatchewan	55,000	220	160	−27%	130	−41%
Alberta	177,000	740	570	−23%	410	−45%
British Columbia	252,000	1,260	890	−29%	610	−52%
Total[a]	2,084,000	8,970	6,090	−32%	4,200	−53%

[a] Total includes the territories. Totals may not add due to rounding.
Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Their proposals increase work incentives by raising the minimum number of weeks required to qualify and reducing the ratio of benefits to insured earnings. They also do much to restore the integrity of Unemployment Insurance as a social insurance program. They would substantially increase the administrative complexity of the program, however, since claimants would need 104 weeks of insured employment to qualify for 52 weeks of benefits. This longer qualifying period would add to the administrative burden of the program.

On balance, while their proposals improve work incentives and shift the program's direction to that of a social insurance program, their shortcomings in terms of equity and administration make this option less acceptable than the Annualization approach.

Enrichment of the Current System

A third option which was given serious consideration would modify the current program in the following ways. It would embody a uniform minimum entrance requirement of 10 weeks and a replacement ratio of 66 ⅔ percent. After a one-week waiting period, the duration of benefits would be calculated on the basis of a two-phase benefit structure. In the first phase, the program would provide one week of benefits for each week worked, to a maximum of 39 weeks. In the second phase, regionally extended benefits would be paid as now; that is, the program would provide two weeks of benefits for every 0.5 percent that the regional unemployment rate exceeded 4 percent, up to a maximum 32 weeks. Thus, the overall benefit maximum would be 72 weeks, including a one-week waiting period. There would be no minimum insurable earnings and maximum weekly insurable earnings would be increased to $690.

Since this option continues to provide regionally extended benefits, it continues the inequity of providing less benefits to a long-attachment worker in a low unemployment region than to a short-term worker in a high unemployment region. Furthermore, workers with the same annual earnings would receive different benefits because they have worked a different number of weeks. This approach continues to allow a 10-week worker to have 42 weeks of benefits and so it continues the work incentive problems of the current approach.

As with previous options, the analysis is on the individual and the aggregate level.

The Impact on Individuals

Again, the comparisons of the individual level are undertaken for both a short-term and a full-year worker in Toronto and in St. John's.

A 10-week worker in Toronto who earned $400 a week and is unemployed for 20 weeks would receive benefits of $4,788 under the Enriched Current Program, compared with no benefits under the current program. That same worker in St. John's would receive benefits of $5,054 under the Enriched Current Program and $4,320 under the current program.

A full-year worker in Toronto earning $400 a week and unemployed for 52 weeks would receive $12,768 under the Enriched Current Program, compared with $11,040 under the current program. In St. John's the corresponding figures would be $13,566 for the Enriched Current Program and $12,000 for the current program.

The Aggregate Consequences

The impact of these changes would be to increase expenditures by about $2.9 billion. This estimate is based on an assumption that claimants currently exhausting benefits will remain on claim until the new limit is reached. Further information on the estimation techniques can be found in Appendix G. In relative terms, longer-term workers would benefit more (see Figure 7.21). In terms of the duration of unemployment, this option would be oriented toward workers employed for a short time and, of course, toward those unemployed for a long period (see Figure 7.22). Since it increases the maximum insurable earnings, this option shifts benefits toward workers with higher earnings (see Figure 7.23).

Figure 7.24 shows the provincial impact of this option. It is notable that Newfoundland, Prince Edward Island, New Brunswick, Manitoba and Saskatchewan gain less than average, while Alberta and British Columbia gain significantly more than average.

In terms of target effectiveness and efficiency, this option brings out the basic dilemma in redesigning an Unemployment Insurance program. To the extent that the income support or supplementation role of Unemployment Insurance is seen as important, emphasis should be placed on providing greater benefits to those with lower incomes, who often have shorter labour force attachments. The argument for this is that since these workers have lower earnings, they are in greater need of assistance. Those who view the program as an insurance program, on the other hand, would consider this highly inefficient because those with higher earnings have most to lose and should therefore receive higher benefits from a social insurance program.

This option is highly sensitive to both national and regional economic conditions, as measured by unemployment rates. But, since the premium cost of the program would rise considerably (by about $3 billion) and since premium financing is not a very progressive tax, there may be legitimate concerns about both the equity and the wisdom of large increases in premiums at this time.

This option reduces administrative complexity to some extent, since it eliminates the variable entrance requirement and reduces the number of benefit phases from three to two. It retains, however, the complexity inherent in regionally extended benefits.

For these reasons, a majority of Commissioners were unable to recommend the Enriched Current Program option.

Figure 7.21

Estimated Effect of Enriched Current Program by Weeks of Insurable Employment

Weeks of insurable employment	Number of beneficiaries in current program	Current program with regionally extended benefits ($ millions)	Annualization		Enriched Current Program	
			Benefits paid ($ millions)	Change	Benefits paid ($ millions)	Change
Under 20	419,000	2,000	580	−71%	2,490	+25%
20–29	573,000	2,500	1,250	−50%	3,220	+29%
30–39	333,000	1,210	870	−28%	1,640	+36%
40–49	324,000	1,180	1,120	−5%	1,640	+39%
50 & over	434,000	2,070	2,260	+9%	2,950	+43%
Total[a]	2,084,000	8,970	6,090	−32%	11,930	+33%

[a] Totals may not add due to rounding.

Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Figure 7.22

Estimated Effect of Enriched Current Program by Weeks Duration of Unemployment

Duration of unemployment (weeks)	Number of beneficiaries in current program	Current program with regionally extended benefits ($ millions)	Annualization		Enriched Current Program	
			Benefits paid ($ millions)	Change	Benefits paid ($ millions)	Change
1–10	367,000	260	200	−23%	360	+38%
11–20	359,000	830	590	−29%	1,050	+27%
21–30	362,000	1,440	920	−36%	1,760	+22%
31–40	350,000	2,030	1,160	−43%	2,450	+21%
41 & over	524,000	4,410	3,210	−27%	6,310	+43%
Total[a]	2,084,000[b]	8,970	6,090	−32%	11,930	+33%

[a] Totals may not add due to rounding.

[b] Includes claimants with zero weeks.

Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Figure 7.23

Estimated Effect of Enriched Current Program by Weekly Earnings

Weekly earnings (in 1985 dollars)	Number of beneficiaries in current program	Current program with regionally extended benefits ($ millions)	Annualization		Enriched Current Program	
			Benefits paid ($ millions)	Change	Benefits paid ($ millions)	Change
Under $200	454,000	1,080	670	−38%	1,340	+24%
$200–400	1,052,000	4,660	3,040	−35%	5,790	+25%
$400 & over	578,000	3,230	2,370	−27%	4,800	+50%
Total[a]	2,084,000	8,970	6,090	−32%	11,930	+33%

[a] Totals may not add due to rounding.

Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Figure 7.24

Estimated Effect of Enriched Current Program by Province

	Number of beneficiaries in current program	Current program with regionally extended benefits ($ millions)	Annualization		Enriched Current Program	
			Benefits paid ($ millions)	Change	Benefits paid ($ millions)	Change
Newfoundland	91,000	460	220	−52%	590	+28%
Prince Edward Island	17,000	90	40	−56%	120	+33%
Nova Scotia	83,000	380	240	−37%	500	+32%
New Brunswick	91,000	470	240	−49%	600	+28%
Quebec	628,000	2,890	1,890	−35%	3,900	+35%
Ontario	616,000	2,160	1,620	−25%	2,830	+31%
Manitoba	68,000	270	200	−26%	350	+30%
Saskatchewan	55,000	220	160	−27%	280	+27%
Alberta	177,000	740	570	−23%	1,020	+38%
British Columbia	252,000	1,260	890	−29%	1,750	+39%
Total[a]	2,084,000	8,970	6,090	−32%	11,930	+33%

[a] Total includes the territories. Totals may not add due to rounding.

Notes: Regular benefits only. Based on 1984 data on beneficiaries and 1985 data on finances provided by the Canada Employment and Immigration Commission. See Appendix G for additional information.

Summary and Conclusions

Public policy is not a field that lends itself to mathematical proof, and the future cannot be predicted with certainty. All Commissioners expressed concern about the impact of the proposed changes on individuals and regions. The changes proposed to the present system are measurable within limits, and the losses can be determined. The countervailing gains from initiatives yet to be designed, such as the Earnings Supplementation Program, training and educational upgrading, the campaign against illiteracy, community economic development and the Youth Opportunities program, are more difficult to quantify. Nevertheless, refining the role of Unemployment Insurance as a social insurance program and making it the cornerstone of the income security system within the broad context of human resource development won the support of the majority of the Commissioners.

"The deviation from the insurance goal has over time changed the perception Canadians had of the program. No longer viewed as insurance against emergency situations, people began to regard the funds as providing money owed to them. To an increasing number of people, Unemployment Insurance became an easily accessible safety net. The Unemployment Insurance program has proved to be rather regressive in terms of income redistribution, directing relatively more assistance to higher than to lower income families. By 1982, 50 percent of all benefits went to families with above average incomes." (Canadian Chamber of Commerce, written brief)

The detailed description of various options with respect to the structure of benefits under an Unemployment Insurance program may appear confusing. While, taken one by one, the advantages and disadvantages of each option may be understood, there is a need to make plain the reasons behind the rejection of some options and the decision to recommend the Annualization approach. Apart from technical criteria, the decision is based on a view of what is most important and what is required to reform Unemployment Insurance to meet the needs of the future. That view is what lends relatively more importance to certain strong points of the proposed orientation and less importance to some undeniable advantages of the rejected options.

First, any reform must start from a given situation. Unemployment Insurance at present incorporates a relatively low entrance requirement. In most of Canada, claimants must have worked 10 weeks in the previous 52. It also incorporates – also fairly generally across the country – a maximum benefit duration of one year. These are two features of the program to which Canadians are accustomed and which are very important to many of them. Not every Unemployment Insurance system in the world incorporates these two features. Their adoption in Canada was to some extent an arbitrary decision, but they have become familiar characteristics of the program. They constitute the starting point for any proposal for reform.

The reasons for a one-year maximum duration of benefits are probably more valid now than when it was first adopted. In a context of continuing and profound structural changes in the economy and in the labour force, the need for longer-term income maintenance has been increasing rapidly. There is no reason to believe that this phenomenon is artificial. The difficulty that some individuals experience in returning to employment is genuine and one year of benefits is needed. The knowledge that protection is there is what gives meaning to the term "social security."

Furthermore, one year of benefits is not inconsistent with the practices of other industrialized countries. Among the options examined and rejected, the One-for-One option would reduce maximum benefit duration to 28 weeks. This curtailment is too drastic, particularly at a time when longer benefits are more necessary than ever before. Except for relatively older workers, who would qualify for extended benefits under the Cumulative Employment Account, long-service workers of 10 or 15 years would have no alternative but the proposed Earnings Supplementation Program or social assistance. In some countries where Unemployment Insurance benefits are limited to six months, they are normally followed by an unemployment assistance program, similar to the income supplementation programs described in Chapter 4.

The second characteristic of the current program is the low entrance requirement of 10 weeks for most regions. Some systems – notably in the United States but also in Europe – incorporate a six-month entrance requirement, very much like the 20-week entrance requirement proposed by the Macdonald Royal Commission. In effect, that requirement disqualifies almost all short-term and seasonal workers. These are extreme examples of an approach to coverage that relies upon setting up different categories of workers and subjecting them to different rules. A 20-week entrance requirement would be extreme in that it effectively eliminates coverage for many workers. The current program, however, also places workers in categories, as illustrated by the complicated structure of variable entrance requirements and the multiple benefit phases. These characteristics create unfairness and complications that make the program obscure and difficult. For these reasons, the proposed reform rejects the practice of placing workers into many categories, each with different rules, and supports an open program with a low but uniform entrance requirement.

What is important to realize is that the need for a program with both long benefit duration and low entrance requirements creates a difficult problem. As noted above, once the worker categories and complex rules are eliminated, Annualization appears distinctly as the best option – and is indeed the only way to reconcile these two characteristics within the context of a viable and affordable program. The virtue of the Annualization approach is that, in its reliance on a uniform rule, it effectively relates total benefit entitlements to the length of labour force attachment of each worker. A low entrance requirement is retained and so is a long maximum benefit duration, but by linking past earnings (and hence past contributions) to total benefits payable, it can dispense with categorization and complicated rules.

The nature of the problem that Annualization helps to solve is well brought out by examining the last option reviewed – the Enriched Current Program. That option compounds the problem by extending benefit duration well beyond the present 50-week limit. The logical result of that approach is to turn Unemployment Insurance into something resembling a partial guaranteed annual income. The next step would be to have needs-tested benefits, because the weaker is the link between the premiums paid and the benefit entitlements, the weaker is the justification for failing to provide these benefits to everyone, even though they may not meet the already low entrance requirement. Those who work only six weeks a year, for instance, need these benefits more than those who work for a longer period. If, however, the rationale for benefits and universal coverage is need, one consequence is inevitable – benefits are eventually related to need, and premiums, and the earnings on which they are paid become increasingly irrelevant. An income support program of this kind should not be financed by a regressive levy such as a payroll tax. The Enriched Current Program does not solve the problem of devising a workable and viable Unemployment Insurance program with a low entrance requirement and long benefit duration: it simply ignores it.

The Commissioners debated for many months about the strengths and weaknesses of the various options but, on balance and for reasons outlined above, the majority of Commissioners decided that Annualization provided a rational approach to the fundamental reform of Unemployment Insurance and should be recommended.

Notes

1 For example, Fiona has established a 50-week claim at $200 a week. After 10 weeks, she finds another job paying $350 a week. However, this new job lasts only 9 weeks. Without credit banking, taking the new job would have terminated her claim and would not have resulted in a new claim. Credit banking means that Fiona could revert to her old claim and would have 31 weeks of eligibility remaining (50 minus 19).

2 Canada Employment and Immigration Advisory Council, *Older Workers: An Imminent Crisis in the Labour Market* (Ottawa: Minister of Supply and Services Canada, 1985), p. 8.

3 Canada, Royal Commission on the Economic Union and Development Prospects for Canada, *Report*, Volume 2 (Ottawa: Minister of Supply and Services Canada, 1985), pp. 616–19.

4 Ibid., p. 617.

5 The 10-week worker unemployed for 52 weeks represents the maximum impact of the elimination of regionally extended benefits and the change to Annualization. It should be noted that these workers represent only 3 percent of total claimants. This percentage ranges from a high of 10.3 percent in Newfoundland to a low of 0.3 percent in Alberta.

6 In considering the impact of the two options, it should be borne in mind that part of the difference between them is due to the different structure of the two options and part to the difference in the replacement ratios.

John Mitchell, Electrical Technician, Pembroke, Ontario

Mr. Mitchell expresses the frustrations of those affected by changes to the regulations governing pensions.

In 30 years I'd had two jobs, and this was the first time I'd asked for UI. I served 22 years with the Armed Forces as a technician in the Air Force. When I had to retire, I had a paid rehab.* leave, so I didn't see any reason for collecting UI, and then I got another job with an electronics firm. They laid me off at the end of December 1985, and I was unemployed for six months.

I don't believe that UI is a savings plan you have an automatic right to, and I didn't claim UI when I retired eight years ago. But this time I was having trouble finding work . . . I'm 47 years old, have trouble with my heart, and in Pembroke, where I live, the job market is pretty full and there's nothing too much in my line.

Because of the new regulations, I got only a quarter of what most people get. That's because of my pension, which is only $473 a month. With my pension and benefits combined, I could get $17,940 for the year. It meant we lived below the poverty level because I still have three children at home to support. My wife had to cut back on groceries, from $230 every two weeks to $150, and that's not much for five people.

We worried how we were going to make do on the little bit that was coming in. We yelled at each other . . . I know we shouldn't have, but that's what happens. The tension was felt by everyone. The kids knew why we were sometimes at each others' throats. They knew it was because I was home all the time and I was frustrated.

It was only when I got my first cheque that I found out I wasn't getting full benefits . . . There was a note in it saying that – because you are getting a pension, or whatever – anyway it explained what was happening. I went to the Canada Employment Centre, and one supervisor who had also been in the service was sympathetic. But apart from that I don't think they felt anything for me, you know . . . I was just another number. That was the law and that was all there was to it. They listen to all kinds of people with problems and maybe after a while they just turn it off.

They did call me, said they had a job in Ottawa, a short-term job. We had moved a lot. We didn't want to move any more, but we would have if necessary. It meant giving up a lot, though, and that scared my wife. But by that time a friend had told me about the job I have now. I was very fortunate to get this job, although the pay is about one-third less than I was earning before. I was making about $12.00 an hour before, now I'm making $8.00 . . . about the same as I would on Unemployment Insurance from my other job.

The unemployment benefits wouldn't have run out until Christmas, but I wanted to get off it just as fast as possible and get working. I think that's what we all should do. I feel unemployment is something that you should collect when you have to collect, to keep everything going, but I don't see any reasons for being unemployed for 52 weeks just because you have 52 weeks of Unemployment Insurance benefits.

Now I'm supervising one part of a woodworking shop. It's a lot different from what I'm used to. Like I told my wife, I'm not a very good supervisor and don't think I ever will be, but I'm going to give it a good go. I'm used to technical things and just getting on with the job, you know, and it's a big change in that way . . . Oh, I think I'll make it, and everything will be fine. My boss offered me a little raise at the end of the month . . . So I think he likes my work and it's going to work out.

All the same, I'm continuing my electrical correspondence course for a civilian electrician's licence. It is probably going to take another year and a half. And then I would have to write my provincial examination. So it's a long way away yet. It's just another alternative, to fall back on, that's all.

When I was unemployed, it was the worst six months of my life. I was really upset and frustrated because I couldn't do anything about the situation. I don't know . . . it doesn't seem right. I feel that I was really betrayed by the government, stabbed in the back, you know. That's the way I feel.

a Rehabilitation to civilian life.

Chapter 8

Immediate Steps: Other Program Reforms

Introduction

Fundamental restructuring of the Unemployment Insurance program, whether in the form of Annualization or some alternative approach, is a sweeping change that must be carefully considered and gradually phased in. There are, however, a number of smaller changes that could be implemented more rapidly and easily, either within the current program or as part of a reformed program.

Though small in relation to the overall reforms discussed in Chapter 7, the changes put forward in this chapter would go a long way in correcting inequities for some groups of workers – particularly those planning to retire. Notable among these is the treatment of pensions and lump-sum payments such as severance or vacation pay, which were the subject of a special reference to the Commission of Inquiry. The chapter also recommends changes concerned with work incentives; treatment of part-time workers and workers involved in labour disputes; and criteria governing voluntary quits, job search and availability for work.

Treatment of Pensions

The development of recommendations regarding the treatment of pension income under Unemployment Insurance was influenced by the fact that the whole question of retirement and retirement policy is changing rapidly. The Canadian Charter of Rights and Freedoms prohibits discrimination on the basis of age; age 65, for example, may no longer be a basis for mandatory retirement. Actuarial adjustments in benefits for those who wish to retire early or late are already taking place in the public and private sector. As a result, receipt of a pension and retirement from the labour force may no longer be synonymous. In this regard, military and police pension plans may be harbingers of things to come.

"The unions have fought to obtain concessions intended to ensure a better early retirement and planned retirement for our older employees, so as to make room for younger people. Now the government, by a unilateral action, without prior consultation, has completely destroyed in one fell swoop what we have spent so many years to build. This is totally unacceptable!" (Fédération des syndicats du secteur aluminium inc., written brief)

The issue of retirement and pensions is part of a more general problem that must be faced by policy makers. One aspect of this wider context, already discussed in Chapter 6, is the increasing importance attached to flexibility in retirement and pension arrangements. If it were not for that consideration, the rules governing the treatment of pension income for Unemployment Insurance purposes could be regarded differently and the maximum age limit could be retained. It may be that an even wider perspective ought to be adopted and that more thought should be given to better coordination of all the related social policies, including some aspects of the Old Age Security program. More specifically, it must be recognized that more flexibility in retirement and pension arrangements can be obtained only at the cost of changes in other policies and programs.

The current relationship between Unemployment Insurance and pensions has two aspects. First, both premiums and benefits cease at age 65 with the payment of the three-week retirement benefit. Second, until January 5, 1986, pension income was not taken into account in the calculation of Unemployment Insurance benefits. Since that date, pension income has been treated as earnings. Many individuals – notably military and police – who are required to "retire" from their first career with a pension at a relatively early age, have had to keep on paying premiums during their second career even though Unemployment Insurance benefits may be small or non-existent during a subsequent period of unemployment because of the treatment of their pension income.

"The decision made last year to take effect January 1, 1986, to treat pension income as earnings for Unemployment Insurance purposes should be reconsidered. Organized labour does not view and has not negotiated pension benefits as employment earnings. Such benefits are a form of deferred compensation." (Winnipeg Labour Council, Winnipeg hearings)

In considering how pensions and Unemployment Insurance should be related, the following factors are significant.

- Unemployment Insurance is not a retirement program. Its major function is to protect workers from interruptions in earnings. Therefore, benefits should go exclusively to members of the labour force. Persons who have gone into retirement are no longer in the labour force and should not be covered.
- Receipt of pension income does not necessarily mean that an individual has left the labour force. Consequently, pension income should not automatically disqualify a worker from Unemployment Insurance benefits.
- Changes to the Quebec Pension Plan and anticipated changes to the Canada Pension Plan and private pension plans may make it increasingly common for workers to have pension income while they remain in the labour force.
- This increased flexibility means that individuals who choose to retire before age 65 will be able to take an actuarially reduced pension. If, however, they could draw Unemployment Insurance benefits for one year instead of going on pension immediately, they could receive a slightly higher pension for the rest of their lives. Therefore, it would pay them to use Unemployment Insurance benefits as the first year's retirement income. This could cost the Unemployment Insurance program as much as $1 billion a year.
- Unlike other benefits such as vacation pay and severance pay, which are also paid on termination of employment, pensions continue to be paid and may be considered as deferred earnings.

Underlying the current treatment of pension income in the Unemployment Insurance program is the implicit assumption that receipt of a pension is synonymous with being retired. At present, only a small proportion of workers receive a pension from one job while working in another and therefore are not protected by Unemployment Insurance in spite of paying premiums. Since age may soon not be used as a criterion for retirement, and pension plans are becoming more flexible, increasing numbers of people may be affected by this inequity in the future. This conflict, therefore, has to be resolved promptly by developing a way for the Unemployment Insurance program to deal equitably with pension income. Denying coverage to all of those with pension income would deny coverage to many individuals who then enter another career. Maintaining the current approach compels those with pension income from previous employment to pay for coverage for subsequent employment when benefits may be negligible or non-existent if they should become unemployed. Ignoring pension income entirely would mean ignoring deferred income from another job.

Several possibilities for the treatment of pension income were reviewed. One possible option would be to link Unemployment Insurance eligibility to "deemed retirement." When a person is deemed to have retired, that person would no longer be eligible for coverage, would not pay premiums on earnings, and would not receive benefits. This proposal would involve substituting for the fixed rule based on age a rule based on entitlement to pension benefits, whether or not pension entitlement was drawn upon. This would be a radical way of dealing with the incentive that may be present in an individual's decision to draw or defer a pension. If a pension is deferred and the individual remains in the labour force – searching for a suitable job at age 65 or even after age 70 – Unemployment Insurance benefits are payable for up to a year, which would mean a maximum of over $15,000 at current rates. The postponed pension is not lost, since it is actuarially increased for as long as it is paid. The risk of abuse to the insurance scheme would be checked by considering pensions payable and pensions received to be income. In certain cases, however, that course may force some individuals into taking their pension, and by so doing would detract from the objective of providing more rather than fewer options. For these reasons, the "deemed retirement" alternative was rejected.

"A man who has paid his benefits for 30 or more years and never drawn upon it – insurance means insurance – then, sir, I say to you with all due respect: it is for a time when a man is unemployed. If this man is disqualified because he has a measly pension, again, sir, it is unjust and I object." (Mary McCormick, Toronto hearings)

The proposed solution recognizes that taking a pension is no longer synonymous with retiring. It treats pension income in two different ways.

The first treatment of pension income applies if the pensioner is unemployed when he takes his pension. Under the proposed approach, if a person who served in the military for 22 years became unemployed immediately upon leaving the Armed Forces, Unemployment Insurance would treat the pension as earned income just as in the current approach. It does so to lessen the possibility of using Unemployment Insurance as the first year of pension income in retirement, as explained above.

"We find this totally discriminatory. A pensioner is one who either collectively or personally contributed his own funds for his advantage in his later years. It's like money in the bank. To have this used against him is not only insulting, but it is also plainly and simply unfair. The last thing we need at this time with high unemployment is the postponement of thousands of potential retirees." (Sudbury Mine, Mill and Smelter Workers Union, Local 598, Sudbury hearings)

The second treatment applies if the pensioner becomes unemployed from a subsequent job. Premiums would be based on insurable earnings less pension income, and Unemployment Insurance benefits would also be based on this difference. In subsequent unemployment periods, insurable earnings would be the difference between pension income and the lesser of the new earnings or maximum insurable earnings.

If, for example, a retired soldier found a job paying $300 a week and had pension income of $200, his insurable earnings would be $100 ($300 minus $200) and his premiums would be based on this amount. If he subsequently lost that job, Unemployment Insurance benefits would be based on adjusted insurable earnings of $100 a week, not $300. If the new job paid $600 a week, insurable earnings would be $295 ($495 minus $200). Again, both premiums and benefits would be based on that amount, and if he lost any subsequent job, benefits would be based on $295, not on the maximum insurable earnings of $495.

In proposing this approach, it is recognized that much of the anger that greeted the recent changes to the treatment of pensions by Unemployment Insurance centred not only on the inequity of the change, but also on its timing. Building up a pension is a lifetime process and therefore any change, particularly one which might reduce pension income, should be introduced only after considerable warning to those likely to be affected. The January 1986 changes were formally announced in March 1985, but the full details were not understood and regulations were not available until December 1985. Minimum notice of three years is recommended for changes of this magnitude.

Recommendation

26 The current treatment of pension income should be rescinded with an effective date of January 5, 1986. The new policy should be announced and an implementation date of January 1, 1989 set. The new policy should be:

- that pension income received during a period of unemployment immediately following retirement from a first career would be treated as earnings when calculating Unemployment Insurance benefits for that period;
- that during future employment periods, Unemployment Insurance would provide coverage only on the difference between pension income and the lesser of the new earnings or maximum insurable earnings;
- that premiums would be calculated on the basis of insurable earnings minus pensions in pay; and
- that administratively, weekly premiums would be calculated as now, with any excess rebated via annual income tax returns.

A supplementary statement by Commissioner R.F. Bennett regarding Recommendation 26 is contained in Part V of the report.

Treatment of Severance Pay, Vacation Pay and Lump-Sum Payments

Under the current system, lump-sum payments, including severance pay, vacation pay, bonuses and payments from employee profit-sharing plans, are treated as earnings on claim and are subtracted from eligible benefits. Lump-sum payments are translated into weekly earnings by dividing by the previous weekly earnings. Thus, someone with $10,000 in a lump-sum payment whose previous weekly earnings were $1,000 is considered as having 10 weeks of earnings. These earnings mean that no benefits are paid for that period. Since the benefit period is not extended past the original eligible period, a lump-sum payment reduces the amount of benefits.

In the proposed system, lump-sum payments would be considered as a continuation of earnings from the previous employer, even though employment has ceased. The current approach of dividing lump-sum payments by the amount of previous weekly earnings and thus converting them into weekly amounts would be continued. These weekly amounts, however, would not be considered as earnings on claim, because an

Unemployment Insurance claim could not begin as long as they accrue. Consequently, benefits would only be delayed. Premiums would be paid on amounts up to the maximum insurable earnings and the maximum benefit period would not be reduced.

Recommendation

27.1 Severance pay, vacation pay and lump-sum payments should be allocated to weeks, using the same formula as at present. These monies should delay but not reduce benefit entitlement. In addition, they should be considered as insurable earnings.

The exception to this treatment would be vacation pay trust funds. These funds exist predominantly in the construction industry in Ontario and Quebec. In these funds, vacation entitlement accrues in a vacation pay trust fund. The vacation pay itself is earned on a weekly basis and added to the salary for both income tax and Unemployment Insurance premium purposes. Benefits are usually paid twice a year, and vacation must be taken at a set time (usually in the two weeks following payment). In that case, even though a claimant was receiving benefits immediately before these vacation periods, the individual should not be considered as unemployed and available for work during the vacation.

Recommendation

27.2 Recipients of benefits from vacation pay trust funds should be disentitled for the period for which vacation pay is received. This would delay but not reduce benefit entitlement.

"In the construction industry, employees often need a worker for six hours or even a day, and the worker refuses for such a small period of time. There is also the fact that he's going to get a little stamp and it's going to reduce his UI benefits. We think this regulation should be changed, and the over-25-percent tax-back on earnings should be raised to encourage workers to take these kinds of 'jobs'." (Conseil provincial du Québec des métiers de la construction, Montréal hearings)

"We do not believe there should be a dollar-for-dollar reduction of benefits for income from employment. Household income from all sources, including investment income, for example, would be determined in a manner analogous to that used in the Guaranteed Income Supplement in order to determine the level of income security benefit to which the recipient was entitled. Any income security benefit received in excess of this threshold would have to be paid back." (William M. Mercer Limited, Ottawa hearings)

Treatment of "Earnings on Claim"

Under the current program, claimants can continue to receive Unemployment Insurance until they exhaust their benefits, provided that they are not in full-time employment and that any earnings in part-time employment on claim are less than 75 percent of their previous insured earnings.

The present structure treats earnings on claim as follows. Earnings of less than 25 percent of benefits are ignored. After 25 percent, each additional dollar of earnings reduces benefits by one dollar. There is no financial incentive for a worker to earn more than 25 percent of benefits, since each dollar earned reduces benefits by one dollar.

In order to provide maximum work incentives without having benefits plus earnings exceed insured earnings before unemployment, the reduction rate on earnings on claim would be the same as the replacement ratio. For example, if the replacement ratio were 66 ⅔ percent, then the reduction rate would be 66 ⅔ percent.

Under the proposed system, as under the current one, benefits would cease when a recipient takes a full-time job, even if the wage is lower than in the previous job. This means that the program would not be a wage-loss insurance program. Adopting a wage-loss insurance program, which would pay benefits to workers if their earnings fell even though they were not unemployed, could lead employers to reduce wages, since workers would receive Unemployment Insurance to make up the difference. In effect, Unemployment Insurance would be acting as a wage subsidy, allowing employers to reduce payroll costs.

Recommendation

28.1 Earnings while on claim should reduce benefits at a rate equal to the replacement ratio. That is, if the replacement ratio is 66 ⅔ percent, then the reduction rate should also be 66 ⅔ percent.

Treatment of Part-Time Workers with More than One Job

At present, Unemployment Insurance coverage is limited to jobs that involve at least 15 hours of work a week and pay at least $99 a week. Part-time workers with more than one job are considered unemployed and eligible to receive benefits if they lose one job, provided the job is covered by Unemployment Insurance.

In calculating their benefits, the current practice is to consider earnings from the job that continues as earnings while on claim. Benefits are calculated on the basis of insurable earnings from the lost job and then are adjusted to take account of earnings from the continuing job. For example, if a worker had two part-time jobs, one of which paid $300 a week and the other $100 a week, the current system would calculate maximum benefits to be $180 (60 percent of $300) if the higher-paying job were lost. Taking the earnings from the second job into account would reduce this amount to $125 ($180 minus [$100 less 25 percent of $180]). Loss of the $100-a-week job, however, would mean maximum benefits of only $60. In this case, the second job effectively eliminates unemployment benefits ($60 minus [$300 minus 25 percent of $60]).

A more generous treatment of part-time work is proposed. Benefits would be calculated to ensure equity between a full-time employee who lost a $400-a-week job and then found a job while on claim, and a part-time worker with two jobs and total earnings of $400 a week. In the case of the full-time worker, benefits would be calculated as follows. Maximum benefits would be $240 (60 percent of $400). Accepting a part-time job paying $300 a week would reduce benefits to zero ($240 minus [$300 minus 25 percent of $240]), but if the part-time job paid $100 a week, the benefit would be $200 ($240 minus [$100 minus 25 percent of $240]).

In the case of a worker with two part-time jobs, one paying $300 a week and the other $100, maximum benefits would be 60 percent of total earnings while employed (subject always to the maximum insurable earnings provision). Any earnings, including continuing earnings, would be treated as earnings on claim. If the worker loses the $300-a-week job, maximum benefits would be $240 (60 percent of $400). Earnings from the $100-a-week job would be treated as earnings on claim but would be subject to an exemption of $60 (25 percent of $240), so that benefits

"The following possibility could easily be broached through the UI Act. This person who already pays premiums on his first job at which he works 30 hours, could inform his employer – let's call him the second employer – of the fact that he already has a first job and that the two jobs combined would give him more than 15 hours of work a week. In other words, in the case where his job was 5 or 10 hours a week, this would permit him to ask if it could be added to his other job, and that way it would add up to a total of more than 15 hours a week. Then he could ask, on a voluntary basis, to have the premiums deducted from his cheque and from that moment, if he became unemployed, he could have benefits calculated on the basis of both incomes." (Commission des services juridiques, Montréal hearings) actually paid would be $200 a week. A full-time worker in the same circumstances would receive the same treatment.

Recommendation

28.2 Benefits for multiple job-holders should be calculated on the basis of total insurable earnings from all jobs. Any earnings during the benefit period should be treated as earnings on claim.

Labour Disputes

A particularly contentious provision of the current Act makes workers who lose their jobs because of a labour dispute (strike or lockout) ineligible for benefits.

"This section has often been interpreted by the court to deny UI benefits to workers who have little or no involvement with the labour dispute in question. Problems have arisen over the CEIC's stringent definition of when a labour dispute has ended. CEIC officials apply the rule that 85 percent of the employees must have returned to work before the claimant can draw benefits." (British Columbia and Yukon Territory Council of the Canadian Federation of Labour, Vancouver hearings)

This provision is based on two considerations. The first is that a strike is voluntary. The employees involved have collectively decided not to work and can decide to return to work. The second consideration is neutrality, in that paying Unemployment Insurance benefits to strikers would make Unemployment Insurance, in effect, a strike fund.

In the current rules these two principles are applied in the following ways.

- The labour dispute is considered at an end only when 85 percent of the workers have been recalled to work.

The present rule deems a dispute to be in progress until 85 percent of the work force is recalled, even if an agreement has been ratified. This approach is inconsistent with the principles that led to the disqualification of strikers in the first place. Once the agreement has been ratified, there is no longer a dispute, there is no issue of neutrality, and there is no question of a voluntary decision not to work, since the workers have agreed to accept an offer and return to work. Accordingly, disentitlement of strikers from Unemployment Insurance benefits should cease when a collective agreement is ratified and signed, except in those provinces where a subsidiary agreement or protocol establishes the date for return to work.

"'We'll call a lockout at the time the season is going to end anyway. They'll be out there all winter. They will be cut off UI, therefore we will bring them to their knees and they will agree to something less than what applies elsewhere in the industry or what would otherwise be the basis of an agreement with these people.' So they did that. They called a lockout. We objected. We were originally disentitled by the officials. We appealed to the board of referees and won a unanimous decision upholding the appeal." (Fishermen's Union, Local 1252, St. John's hearings)

- Employees are ineligible for Unemployment Insurance benefits in the event of a lockout by their employer.

The decision to lock out is made by employers, *not* by the employees. Employees who are locked out are *not* voluntarily unemployed. They should therefore be eligible for Unemployment Insurance benefits while the collective agreement is in force.

- Workers not directly involved in the strike but indirectly involved are ineligible.

"The only people who will be denied benefits under this section are people who are direct participants in a stoppage of work or who are covered by a collective agreement that is at issue in the stoppage of work. The definition of a direct participant should not include workers who refuse to cross the picket line of workers who are direct participants in a labour dispute." (Canadian Labour Congress, Ottawa hearings)

The policy of disqualifying workers who are laid off as a result of a strike by other employees of the same or a different company violates the principles of voluntary action and neutrality. The layoff is clearly not voluntary, since the decision to strike was not made by these workers; and the workers' neutrality is evident, since they are not involved in the dispute. This is true even where they are separate bargaining units of the same union. Each bargaining unit makes its own decision regarding when to return to work, whether the other bargaining units are members of the same union, a different organization or no organization at all. Indeed, the need for Unemployment Insurance to be neutral between unions and between organized and unorganized workers would dictate that bargaining units should not be distinguished on the basis of their parent organization.

"Section 44 should be further amended so that members of a union are not disqualified from benefit when they are laid off by a different employer from the one on strike, but are considered to have contributed to a strike fund within the same union and are therefore disqualified." (United Steelworkers of America, Hamilton Area Council, Hamilton hearings)

A similar problem relates to the operation of union strike funds. Under certain circumstances, the decision of the Canada Employment and Immigration Commission that a claimant is financing a strike by contributing to a common strike fund can lead to disqualification. This distinction is inappropriate because it discriminates between workers on the basis of their membership in an organization. It is also illogical. The rationale for disqualifying claimants because they belong to the same union as a group of strikers with whom they have a common strike fund is presumably that, otherwise, Unemployment Insurance funds would in effect be supporting a strike. Unions are financed from contributions from employment income – normally a dues check-off. When an employee is laid off, he or she ceases to contribute to strike funds. Finally, strike funds generally do not vary payments to members of a striking bargaining unit on the basis of the level of contribution of any other bargaining unit. Contributions to the fund are thus irrelevant to the level of strike benefits paid and can have no impact on the duration of a dispute.

For these reasons, those indirectly involved in a labour dispute should not be disqualified. But there may be instances where they receive substantial and early benefits from the strike. Where this has been established, they should be disqualified, but they should have the right to appeal this decision and the onus would be on the program administrators to justify their decision.

- Workers who are involved in a labour dispute and who take a second job are disentitled from Unemployment Insurance benefits if they are laid off from the second job.

"[We recommend] that the distinction between the concepts of 'usual employment' and 'regular employment' that is found in the reasons for re-establishing entitlement to benefits during a labour dispute be abolished, and that only the concept of 'regular employment' as defined by the Supreme Court be maintained." (Confédération des syndicats nationaux (CSN), written brief)

In general, claimants on strike who take another job during the strike and are then laid off from that second job are disqualified unless they can demonstrate that they are "bona fide" employed elsewhere in the same occupation "or regularly engaged in some other occupation." This approach ignores the fact that the layoff from the second job generally has nothing to do with the original labour dispute. The criterion should be that any laid-off worker is eligible for Unemployment Insurance unless the secondary employment itself is contrived for the purpose of justifying an Unemployment Insurance claim. The onus of proof should be on the Unemployment Insurance administration, not on the claimant. Similarly, those workers who are in receipt of Unemployment Insurance benefits and who take a part-time job which they subsequently lose as a result of an industrial dispute should not be disentitled from their original claim. Again, it is necessary to distinguish between the events giving rise to the original claim and the most recent reason for unemployment.

"We are asking for an amendment to the legislation to allow for maternity and adoption leave benefits to continue during a work stoppage period." (Ontario Secondary School Teachers' Federation, Ottawa hearings)

- Workers involved in a labour dispute are disentitled from sickness, maternity and adoption benefits.

Disqualification under Section 44 applies to all classes of benefits at all times during the course of a labour dispute. As a consequence, claims for sickness, maternity and adoption benefits are denied under this section. Clearly, sickness, maternity and adoption are events that have nothing to do with any labour dispute and would have arisen whether or not the labour dispute had taken place. Special benefits should not be subject to a strike-related disqualification rule. To avoid potential abuse, sickness benefits would need to be limited specifically to hospitalization.

Recommendations

29.1 A dispute should be considered over on the date that the collective agreement is signed, except in cases where a date for return to work is identified in a subsidiary agreement or protocol.

29.2 In the case of a lockout, workers should be eligible for Unemployment Insurance benefits while a collective agreement is in force.

29.3 Those indirectly involved in a dispute, including those who belong to the same union but are in a different local, should not be disentitled. Where there are direct, substantial and early advantages to those who are indirectly involved, they should be disentitled but that decision should be subject to appeal.

29.4 In a situation where a worker is disentitled because of a labour dispute, then takes another job and is laid off, that worker should be eligible for Unemployment Insurance on the basis of the second job. In cases where claimants have earnings on claim and lose those earnings because of an industrial dispute, this should not disentitle the worker from the original claim.

29.5 Maternity, adoption and sickness benefits should be paid during an industrial dispute. In the case of sickness, however, benefits should be awarded only if the claimant is confined to hospital.

Supplementary statements by Commissioners R.F. Bennett and G. Saucier regarding these recommendations are contained in Part V of the report.

Voluntary Quitters

The current system distinguishes between those who leave jobs "with just cause" and those who quit or resign voluntarily. "Just cause" is not clearly specified in the current Act. Those who leave voluntarily are penalized by a reduction and delay of their benefits of up to six weeks.

In any insurance program, it is not appropriate to permit individuals to choose to take benefits whenever they wish. This is an example of the "moral hazard" issue – the risk that an individual can create the conditions which allow collection of benefits. On strict insurance principles, voluntary quitters should not be eligible for benefits. To apply insurance principles, however, would involve reliance upon the employer to ensure that voluntary quits are identified. Since the employer assumes no extra cost if a voluntary quit is called a layoff, he has little reason to police the system. Indeed, in those cases where there is a mutual agreement to terminate someone's employment, the employer may call it a layoff rather than a resignation. Such collusion and abuse of the system do not appear to be uncommon. Since there is no simple way of preventing that collusion, increasing the penalty for voluntary quitters would increase the incentive to falsify the situation. To prevent incorrect identification of people who quit voluntarily, employers should be required to report whether and when a job will be

"It goes against my grain that employers will put down 'laid off' on a UI separation slip when the employee was actually fired for whatever that employer thinks was reasonable and just cause. As a small businessman, I'll tell you that the second you put down 'fired', you just blew $200 of your money in real dollars and cents because that is going to cost you 50 hours and five letters of answering questions from the UIC." (Hughie Williams, Whitehorse hearings)

filled, in order to determine whether it is a true layoff or a disguised resignation.

It is also necessary to clarify the conditions under which an individual can quit for "just cause" without being subject to the penalties imposed for voluntarily quitting a job. The conditions should include sexual harassment, discrimination, occupational health and safety reasons, and accompanying a spouse who is moving to a new job. Once the conditions are clarified, they should be made public. The rules about voluntary quitters should also be revised to cover cases of collective layoffs. When a firm is implementing a systematic reduction of its labour force, the union and the employer involved are frequently in agreement that older workers should be given the option of taking early retirement or being laid off with severance pay before younger workers are let go. As collective agreements usually contain seniority rules that are binding on employers, older workers who are laid off first are considered voluntary quitters. Rules about voluntary quitters should be waived in cases of collective layoffs when an "inverse seniority" preference is applied.

"BRAC negotiated with the railways a provision in our job security agreement which allowed senior employees to take layoffs inversely for definite periods of time to allow the less senior employees, who, by and large, are the young workers attempting to establish a home and family, to work and secure their future. The provision provided that the senior employee would receive Unemployment Insurance benefits while on voluntary layoff, which, in fact, would have been the same benefits received by the less senior employee when laid off. The Unemployment Insurance Commission stated that Unemployment Insurance was available to the laid-off employee, but not for the employee who accepted unemployment 'voluntarily' out of seniority ranking." (Brotherhood of Railway and Airline Clerks, Thunder Bay hearings)

Recommendation

30

The current penalty of loss of benefits for up to six weeks for voluntarily leaving a job should be retained. "Just cause" for leaving a job voluntarily should be clarified and publicized, and "inverse seniority" in a collective layoff should be included as just cause.

Job Search and Availability for Work

The requirements that Unemployment Insurance recipients be engaged in job search and available for work are critical ingredients in any Unemployment Insurance program. Their importance stems from the fact that these requirements determine whether a claimant is unemployed or has left the labour force. While it might be simpler to have a system in which benefits are paid automatically, experience shows that without controls, abuse of the system would soon spread. Enforcement of the requirements for availability and job search should be continued, in a humane, reasonable and intelligent manner.

"They are cut off from the program just because they've put a yes or no in a wrong box, or because they answered honestly. If you're living on a reserve and there's no work and somebody asks, 'Did you look for a job this week?' – you're going to say, 'no, there's no place to go to look for a job'. And if you say no, you're cut off despite the fact that there's only one band office and one store, and you've been to both of them."
(N'Swakamok Native Friendship Centre, Sudbury hearings)

"Many people want to start their own businesses and create their own employment. These people are cut off because they are considered 'not available for work'. They are told that they are spending too much time starting their own businesses. They should be considered like people who have a part-time job and their profits should be cut down, but they shouldn't be penalized."
(Action chômage Kamouraska, inc., Québec hearings)

There are instances, however, where availability for work and job search are not relevant – for example, where workers are on temporary layoff with assured recall or are not available because of sickness or maternity. In other situations, such as jury duty, claimants may be unavailable for reasons entirely out of their control. In these cases, availability and job search requirements should be waived. Other situations are less clear cut. It is not reasonable, for example, to waive job search requirements for seasonal workers who have access to "off-season" jobs. On the other hand, where there really are no jobs in a given area for a particular class of claimants, it is absurd to require them to line up every morning at the door of the one ongoing enterprise just to demonstrate that they are looking for work. In circumstances where enforcement of job search requirements does not appear reasonable, the guiding principle should be that workers be available for work but that job search requirements be enforced only to the extent that jobs which are reasonably suitable for the unemployed worker are likely to be available.

"Allow claimants with accepted business plans to continue to draw Unemployment Insurance benefits. We note that such individuals in effect 'are seeking work'. This measure would particularly benefit those older workers who pursue business activity and who have access to capital." (Canadian Chamber of Commerce, written brief)

Claimants will understandably search for a job that matches their skills and aspirations. Under the current program, those who refuse "suitable" employment are disentitled to benefits for up to six weeks. Suitability of employment is defined in terms of rates of pay and similarity to previous job. The longer workers are unemployed, the more they are expected to adjust their expectations to the realities of the labour market. This approach should be continued and these expectations should be made clear and explicit to claimants.

It is counter-productive to disentitle claimants who are attempting to start a business on the grounds that they are not available for other paid employment. They are creating their own employment opportunity in a very real sense. It is proposed that claimants who can demonstrate an active business plan should remain eligible. Any earnings while on claim should be subject to the standard reduction rate for earnings on claim. This recommendation borrows from successful experience with a similiar policy in France and Britain. The approach in Britain is to pay benefits in a lump sum to those claimants who present an acceptable business plan for starting a small business. While this recommendation involves waiving the availability criterion, it is not proposed to provide a lump-sum payment or to treat earnings from self-employment as insurable earnings.

"Employment will be found by being self-employed, but there has to be some kind of security provided for those who are willing, not to look for a job, but to create their own employment, to go into some kind of consulting business, to sell their services, and not be on the dole." (Richard Gariepy, Vancouver hearings)

Recommendation

31 Job search and availability for work should continue to be essential elements in the Unemployment Insurance program.

- Criteria regarding what constitutes suitable employment should be made explicit to clients.
- The kinds of jobs claimants are required to search for should be continuously adjusted in light of the local availability of "suitable" jobs.
- Job search and availability requirements should be waived in instances of sickness and maternity, temporary layoff with assured recall, jury duty, approved training programs, and approved plans to start a small business.

Conclusion

The current Unemployment Insurance program has several problems which can and should be addressed immediately. These include the treatment of pensions, severance, vacation and lump-sum payments; the treatment of earnings from other work while receiving benefits; the handling of claims involving labour disputes; the penalty for voluntary quits; and the requirements for job search and availability for work. The recommendations for changes outlined in this chapter can and should be implemented as soon as possible, whether or not the overall reforms to the program recommended in Chapter 7 are adopted.

James Corcoran, Fisherman, St. Mary's, Newfoundland

Mr. Corcoran describes the uncertainty and danger of a fisherman's life and the need for alternative sources of income when fishermen are unable to earn their livelihood at sea.

I've worked in a factory from eight to four . . . You do your thing, keep everyone happy, and then that's it . . . Fishing's a bit different.

If you're trying to make a living fishing you spend as many hours as you can at sea, so waking up at one or two o'clock in the morning and getting back some time the following night or the next night is normal to me. On the open sea there are always hazards . . . There's ice . . . There's weather conditions that can change in hours . . . You can get winds up to 25, 30 knots and it's nearly impossible to fish.

The other day a wooden 55-foot boat went out but she didn't come back. Luckily, the guys were rescued by a dragger and then flown by helicopter to St. John's.

There are different kinds of fishing. There's deep sea, where they fish for about 12 months a year. There's mid-shore, where they fish about 6 or 7 months. And there's inshore, like me. In the late 1970s we got 10 months' fishing because weather conditions were good and there was no ice. But this year I stopped my cod lines after five weeks. The fish came for five weeks and then the water turned cold, whatever . . . I've got five weeks of cod trap fishing, that's it.

Sometimes I wish I didn't have to depend on Unemployment Insurance. I'd like to work all year round. I'd be delighted if I could step off the boat and go to work in some other occupation. I think the majority of fishermen would feel the same.

You could be packing anywhere from $10,000 to $20,000 worth of gear a year, and with the money we're making, well, you just can't put that out. So the majority of us depend on the people who buy our fish to supply the fuel and our gear . . . which we pay for out of the catch. And they depend on us to catch the fish . . . It might not be a normal relationship, but it certainly is an employee/employer relationship because one depends on the other.

If you work 10 weeks year after year, you have no problem with Unemployment Insurance, it's like clockwork. But to give you an example of what can happen . . . The person you sell your fish to issues your separation slip. Last year they forgot to put my Social Insurance Number on the slip. I waited very patiently, but by the last of November I hadn't heard anything. I was in St. John's, so I dropped into the office to see what the trouble was. I sat in the waiting room for an hour, cooling my heels, watching people drink coffee, walking back and forth. Eventually a lady comes. We went through the whole issue . . . how I qualified . . . 22 weeks insurable earnings . . . everything was fine. But for some reason my SIN was not on the slip. "Oh," I said, "that's no problem, I'll give it to you." "Oh no, sir, it has to come from your employer." "My God, that will take weeks. Go to last year's file." "Oh no, sir, we can't do that. If your SIN is not on the form, we can't process your claim." So I hit the roof, but it probably didn't do any good because my claim was delayed for another four or five weeks.

Still, as a fisherman I wouldn't want to be covered by a separate program. Most of our fish go to the U.S. market. Now the fishermen and the politicians in the U.S. said that Unemployment Insurance was a subsidy to fishermen and wanted countervail duties of something like 20 to 30 percent. But after they investigated, they reached the conclusion that it wasn't a subsidy because it was universal . . . So if some bureaucrat is going to come up with a different program, they are jeopardizing the whole fishery in eastern Canada . . . not only the fishermen, but the workers in the fish plants and spin-off industries . . . in other words, every community, city and town in eastern Canada.

Fishermen should be covered under Unemployment Insurance like everyone else. We should be treated the same as any other worker, but for some reason we're not. We don't draw Unemployment Insurance till the last of October and when the fifteenth of May comes – the place could be black with ice – you are automatically disqualified. It should be the same for us as for any other type of working class. It's supposed to be a democracy.

Unemployment Insurance is a great thing, but people shouldn't have to depend on it, and basically that's what it's coming to now. There must be better ways for the future, for our children. Right now, if we want something we've got to import it through some other province or state or country – cardboard boxes, mattresses . . . If I want to buy a tin of mussels I'd probably have to buy it from Denmark, and here we have them on the shore not even being used!

You know, I left Newfoundland in 1960. I worked and travelled all across Canada. During that time I didn't draw Unemployment Insurance . . . I was a jack-of-all-trades. I lived in Toronto for seven years. All my friends were from eastern Canada. All left home because they couldn't find any work. Now, I don't see why anyone should have to leave Newfoundland, with all the resources we've got. I don't think I'd leave again. We might not have a big limousine to drive in, but I'm sure we'll survive.

Chapter 9

The Self-Employed: A Special Case

Introduction

Insurable employment, as defined in legislation, does not include self-employment. A person is in insurable employment only if he or she works under what is known as a "contract of service." That is the technical term used to describe the conventional employer-employee relationship. That relationship exists when someone other than the worker controls the terms and conditions of employment, including the hours of work, methods of work, and matters related to discipline, hiring and firing. Self-employed persons are not governed by such a contractual arrangement and are not covered by the current Unemployment Insurance program.

"Although the UI system is intended to operate on 'insurance' principles, it is widely regarded in Atlantic Canada as a social support system. The premiums are far from covering the costs, so substantial federal contributions are required. The special arrangements for fishermen and the regional benefits more closely resemble income support payments than insurance." (Fisheries Council of Canada, written brief)

Designing a system of unemployment compensation that would provide fair protection to all categories of the self-employed poses almost insurmountable problems. The self-employed are vital contributors to the economy. Briefs were submitted by artists, truckers, trappers, film technicians and many more. Truckers in particular made a strong and persuasive case for their inclusion in the program (see box). Although all groups concerned raised arguments that were eloquent and convincing, acceding to their requests would create very serious problems for the Unemployment Insurance program. This chapter examines these issues, and the special case of self-employed fishermen.

"Solidarité populaire Québec recommends that self-employed persons and persons who work in businesses belonging to their spouses be eligible for maternity benefits contingent on their making a special payment pro-rated to their contribution to the business." (Solidarité populaire Québec, written brief)

The Views of a Trucker

Exerpt from a letter to the Commission of Inquiry from Lee Silliker, president, Northumberland County Truckers' Association

"The trucker should have the same equal rights as any other persons in the working industry today. He has an employer-employee relationship. He must be hired on any job to work and he must follow the orders given to him by his superior and is subject to dismissal at any time.

"As an independent trucker in the province of New Brunswick, I most certainly know that 30 percent of my gross pay must go towards my livelihood as wages. I urge you to press towards making certain changes in the UI Act to ensure that at least 30 percent of the trucker's gross be used as a base figure for wages and UI,CPP, and Income Tax deductions. This will ensure that all concerned will have a fair and equal share. It will also provide for the trucker and his family in times of need.

"A person involved in the trucking industry has to equip himself with a piece of machinery that can cost up towards $100,000 to try and provide for his family. This person has to endure great hardships at certain times, he has to find work, pay excess taxes and abide by all the different laws of the land. His most important function is to find himself a job to work for someone else. At certain times during the year the trucker finds himself without any income.

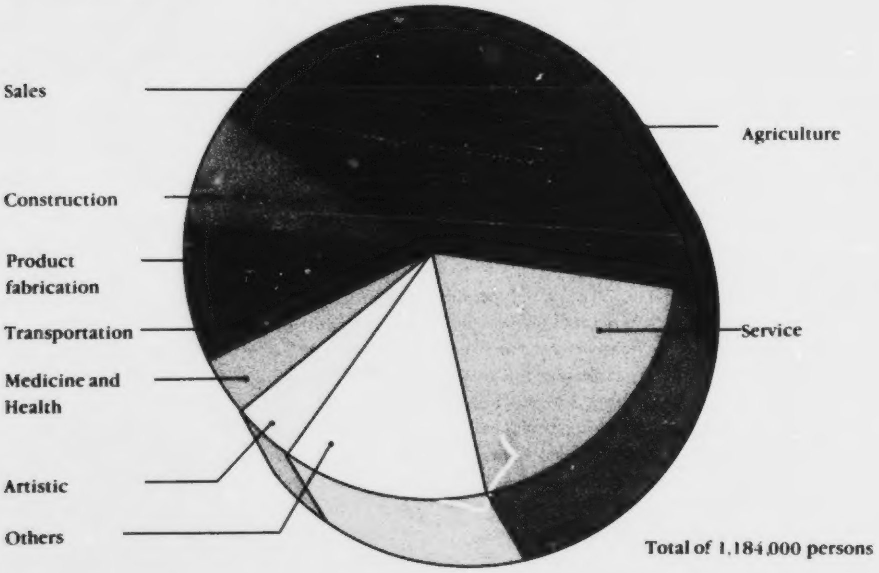
"If the individual had become a fisherman, farmer or woodsworker, he would have been able to collect UI benefits. However, because he is a trucker he is unable to pursue this process."

The Needs of the Self-Employed

More and more Canadians, prompted by their own imagination and dynamism, or by disappointment in the labour market, are creating their own jobs; 10 percent of the labour force now work for themselves. Since 1976, the number of self-employed persons has increased by 27 percent compared to an overall increase in employment of 19 percent.[1] The self-employed now number approximately 1.2 million. The main groups are listed in Figure 9.1.

Many of these workers are vulnerable to the loss of their livelihood from cyclical, technological or structural causes. Some are hired by employers on a temporary basis and are treated as employees under the Income Tax Act. They find it difficult to understand why they should be denied Unemployment Insurance when others in similar positions, fishermen for example, are entitled to coverage. Impassioned arguments were heard from several quarters in favour of including the self-employed in a new design of Unemployment Insurance.

Figure 9.1
Self-Employed Workers by Occupation, 1985



Source: Statistics Canada, *The Labour Force, December 1985* (Cat. no. 71-001), 1986.

"The self-employed cannot be covered if insurance principles apply, as such an individual has almost complete control over his unemployment." (Canadian Institute of Actuaries, Toronto hearings)

When the self-employed lose their livelihoods they also lose their assets, and there is no safety net for them other than welfare. Yet the degree of moral hazard presented by the self-employed is incompatible with Unemployment Insurance. Moral hazard is the risk that an individual may create the conditions which permit collection of benefits. All insurance schemes face this risk. It is the basis for the claim that fire insurance encourages fires and that Unemployment Insurance encourages unemployment. Moral hazard can be minimized but not eliminated entirely.

This argument is most readily applied to artists or professionals who may not have a large capital investment. But when a small business fails and is wound up – especially in cases of forced liquidation or bankruptcy – one could argue that the element of self-control is absent and therefore that the argument of moral hazard is invalid. If, however, Unemployment Insurance were to cover only the risk associated with these extreme circumstances and subject the self-employed to the same premiums as everyone else, one form of inequity would be substituted for another. If the premiums were to differ, then the program in question would no longer be Unemployment Insurance but some other, probably optional, program.

Another issue is the exclusion from Unemployment Insurance of salaried persons working for a self-employed spouse. That exclusion is probably rooted in the inconsistency among various legal precedents that partly determine the rights and obligations of spouses of persons who own and operate a business. Under Unemployment Insurance the salaried spouse has traditionally been considered a business partner. In some provinces this view is in advance of family and property laws. From that perspective, if self-employment is not insurable under Unemployment Insurance, neither should spouse-partners be eligible. Now that family and property laws are beginning to recognize the status of the spouse as a business partner, it would be ironic to recommend that the Unemployment Insurance system change in the opposite direction. Naturally, in situations and in jurisdictions where family property laws do not treat the spouse as an equal partner, it is reasonable to treat the salaried spouse in the same way as any other salaried employee for Unemployment Insurance purposes.

Recommendation

32 Unemployment Insurance coverage should be extended to persons married to and working for the self-employed, in jurisdictions where under family property law spouses of business owners are not treated as partners in the business and where they are paid a salary subject to income tax.

Artists constitute a distinct category of the self-employed. In Canada, they have no special official status which could help them fill the gaps in their earning capacity. Many groups representing artists expressed concern about the difficult circumstances under which their members must work. At the same time, their status as independent contractors for their talents is one that they value. One of the basic problems faced by artists – and many other people who are self-employed – is the instability of their income. An actress, for example, may make a lucrative television commercial that brings in a large lump-sum payment one year, and may earn a fraction of that amount over many months in the theatre the following year. Several groups have suggested Unemployment Insurance as a solution to this instability of income. The Federal Cultural Policy Review Committee,[2] the Parliamentary Subcommittee on the Taxation of Visual and Performing Artists and Writers,[3] and the Task Force on the Status of the Artist[4] have made that recommendation. The Alliance of Canadian Television and Radio Artists (ACTRA) has submitted a detailed proposal for integrating its members into the Unemployment Insurance system.[5] The Alliance believes that if its plan were followed, premiums would probably outweigh claims, so that its suggested plan would be self-financing. L'Union des artistes has indicated that it would be willing to administer an income stabilization fund on behalf of its members, with government inspection of the books.[6]

> **"It is obvious that most individuals working in the performing arts require the protection of Unemployment Insurance coverage, and that the governments of some comparable countries have recognized this need. It is equally obvious that coverage can be provided for, on a basis that disregards common law employment status and takes into account the whole range of contractual arrangements found in some occupational groups, such as barbers, taxi drivers and fishermen . . .**
>
> **"It would undoubtedly be difficult to draft satisfactory rules covering the wide variety of occupations and work patterns existing in this field. A review undertaken by the Unemployment Insurance Commission in 1973 apparently considered the possibility of treating performing artists as a special group with group premium rates, but no concrete change resulted from this review. It was noted at that time that additional problems must be resolved, such as the question of who would be defined as the employer, the definition of the term 'performing artist' and a rule to define when a performing artist would be considered to be unemployed. Similar difficulties must have been surmounted successfully, however, in connection with the coverage of performing artists in other countries and the coverage of fishermen in Canada. The essential first step was the policy decision by a government to extend eligibility to the occupational group in question." (Canadian Actors' Equity Association, Toronto hearings)**

Not only are the earnings of artists sporadic because of the nature of the work, but this is compounded in many cases by the fact that total earnings are inadequate. Where the need is to find a way to smooth the income flows of these groups, Unemployment Insurance is not the right vehicle. As has been noted often in this report, using Unemployment Insurance for this purpose would supplement incomes rather than stabilize them. Where incomes are inadequate, as has been argued, Unemployment Insurance again is not an appropriate vehicle. The proposals for income supplementation (in Chapter 4) should respond to some of these concerns. To the extent that a program of income stabilization for artists can be devised, the initiative should be encouraged.

A group which deserves special mention is Canada's hunters and trappers who, like fishermen, are dependent on natural resources for their livelihoods. Certainly, it is difficult to justify excluding these workers from Unemployment Insurance coverage when self-employed fishermen are included. Making an exception of self-employed fishermen is a particularly controversial aspect of the current program, and for this reason the remainder of this chapter is devoted to a discussion of fishing benefits.

Fishermen and Unemployment Insurance

Fishing and Fishing Incomes

Self-employed fishermen were brought under the umbrella of Unemployment Insurance in 1956. This was essentially a political decision, motivated by social rather than economic considerations. The purpose was to render support to incomes of self-employed fishermen in the inshore fishing industry, particularly on the Atlantic, and to the many coastal communities there that depend upon the fishery for their survival. But the Atlantic fishing industry is very complex and consists of many fisheries: groundfish found near the ocean bottom, such as cod, flounder, redfish and lumpfish; pelagic fish found near the surface, such as herring, salmon and mackerel; and shellfish such as lobster, scallops, shrimp and crab. The industry is notably diverse both across regions and within individual fisheries. Thus, few general observations can be made that are equally applicable to all regions and to all fisheries of Atlantic Canada. A different situation prevails on the Pacific, where salmon and roe herring are the major species fished.

"Come all ye good people, I'll sing ye a song
About the poor people, how they get along;
They fish in the spring, finish up in the fall,
And when it's all over they have nothing at all.
And it's hard, hard times.

The best thing to do is to work with a will,
For when it's all over you're hauled on the hill,
You're hauled on the hill and laid down in the cold,
And when it's all over you're still in the hole,
And it's hard, hard times." (Newfoundland song)

It follows from the diversity of the fishing industry that there are many factors that may profoundly affect the levels and stability of income of fishermen. Geographic and climatic conditions have a fundamental influence, but there are other important factors that cause different levels of income within fisheries and among the different coastal regions, such as:

"UI is not a disincentive, it is more like a life-support system until the next season rolls around." (Maritime Fishermen's Union, written brief)

- The variety of species that the fishermen can harvest and the access to licences to catch them. In a fishery of multiple species, such as that of southern New Brunswick, fishermen with licences for several species may be able to protect themselves against a decline in income because of a poor season for a particular species. Fishermen engaged in catching salmon on the Pacific coast or groundfish off Labrador experience substantial fluctuations in income because of year-to-year changes in the available stock of the single species that they fish and in the prices received.
- The relative value of the species available. The higher-priced lobster and scallop bring higher incomes to fishermen in Nova Scotia than to those in Newfoundland who depend upon groundfish. Similarly, the lucrative salmon and roe herring fisheries on the Pacific generally provide higher incomes than fisheries on the Atlantic.
- The length of the fishing season. This may be influenced substantially by overall climatic conditions such as the prevalence of ice along the Labrador coast and northeast Newfoundland, by particular weather patterns during the year, by the patterns of migration of the species, and by decisions of the Department of Fisheries and Oceans regarding quotas and shortening or closing the season for particular species in order to prevent stock depletion.
- Availability of species for harvesting. Oceanic and other conditions may prevent the cod from coming to shore and may cause catch failure. The lack of a method of allocating quotas to individual vessels rather than to fleets means that some fishermen may be

"Much of the difficulty in limiting the increases in numbers of licensed fishermen and even some of the complexity of the system itself are thought to stem from the pressure on the Department of Fisheries and Oceans to ensure that the industry provides the means for earning UI benefit entitlements for as many as possible." (Fisheries Council of Canada, written brief) denied fair access to the species because of the greater share of the quota taken by others.

- Overcapacity. In the case of some species there are too many fishermen with too many vessels and too much fishing power chasing too few fish. The extent of overcapacity may be such that the quota is caught in a relatively short time. Overcapacity, whether in number of fishermen or in the number and size of vessels, results in poor returns on investment and low net incomes for fishermen. All major fisheries are regulated today by limited entry licences and by restrictions on the number and size of vessels.
- Market conditions and fishing costs. The combined effect of an abundant supply of groundfish on the American market and the drop in the value of some European currencies in relation to the Canadian dollar in recent years has meant lower returns to Atlantic fishermen. High debt-servicing costs of investments create acute cash-flow problems in all regions and on both coasts.
- Availability of supplementary employment. The situation varies with the region. It would appear that there is a greater opportunity for supplementary employment in the Pacific than in the Atlantic region, and in central and western Nova Scotia and southern New Brunswick than in other parts of the Atlantic region, particularly in Labrador.

Unemployment Insurance for Fishermen

"What we are really doing in the Maritimes and with fishing people in Manitoba and in selected other areas, is saying that those people have a worthwhile life. We believe it is important to preserve the fisheries. We believe it is important not to uproot those cultures and to force those people to scatter across the country, and therefore there is great social benefit to the country in giving them enough money to maintain them in their current situation." (Community Unemployed Help Centre, Winnipeg hearings)

A special amendment to the Unemployment Insurance Act in 1956 has made Unemployment Insurance a major factor influencing the incomes of self-employed fishermen. Before that amendment only fishermen working on offshore draggers, who were paid employees, participated in the Unemployment Insurance program like employees in other industries. The purpose of the amendment to the Act was to bring self-employed fishermen, who constitute 90 percent of the total number of fishermen, within the ambit of the Act.

Self-employed fishermen fall into two categories:

- "Year-round" fishermen. "Year-round" self-employed fishermen must have 20 weeks of insurable employment. Their last job must have been on a vessel designated by the Canada Employment and Immigration Commission as "year-round," and they must have demonstrated "year-round" fishing employment. These fishermen are entitled to the full benefits of the regular Unemployment Insurance program, subject to special conditions. Ten percent of fishermen fall into this category.
- "Seasonal" fishermen. The length of the season may vary in time from a few hours in the case of some British Columbia herring fisheries up to a virtual year-round fishery for several species in southwest Nova Scotia. A person who fishes full time throughout the fishing season for his region is now defined as a full-time fisherman. Others are part time.

The special fishermen's Unemployment Insurance program has undergone a series of adaptations over the years to cope with changes in the industry and to provide special rules and regulations for self-employed fishermen. A week of insurable employment is defined in terms of the net value of the week's catch – that is, the gross value of the catch less operating costs (generally 25 percent) – rather than in terms of hours or days spent fishing. If the net value of the catch in a week is less than the required minimum ($99.00), that week does not count as an insurable week. A fisherman in the Atlantic region may fish for six months and, for reasons beyond his control, may be unable to obtain the required ten weeks of insurable earnings to qualify for Unemployment Insurance. Furthermore, if a fisherman fails to obtain 6 weeks of insurable employment, none of these weeks of fishing can be added to weeks of work in other employment in order to qualify him for Unemployment Insurance.

Regionally extended benefits are available for those "seasonal" fishermen who qualify for Unemployment Insurance, but the period for regular and extended benefits is generally limited to 25 weeks – November 1 to May 15 for "summer" fishermen, and May 1 to November 15 for "winter" fishermen. In 1983, provision was made to base benefits on the 10 best weeks for fishermen who had a minimum of 15 weeks of insurable employment. The purpose was to encourage fishermen to continue fishing during the latter part of the season when the fish may be scarce and the seas rough.

"In an economic climate such as we have in Canada today, it is very difficult for fishermen to find off-season employment and so often they must rely on Unemployment Insurance . . . Fishermen here in British Columbia do have to depend very heavily on nature and the runs of fish. On the east coast of Canada, you have a variety of situations where a fisherman will engage in several fisheries. He may fish lobster and then fish cod inshore in his own boat and maybe fish for herring and other species. And they may have, pretty well, a year-round fishery. There are other fishermen in the Baie des Chaleurs and some areas of Nova Scotia where they are ice-bound for six or seven months of the year and they have a five-month season. So I don't know how you would ever develop some sort of crop insurance for a fisherman." (United Fishermen and Allied Workers' Union, Local 31, Vancouver hearings)

Unemployment Insurance provides an important supplement to the income of fishermen. On average, earnings from fishing account for about 65 percent of total net income, with Unemployment Insurance and earnings from other employment each supplying about half of the remainder. There are, however, wide differences among regions in the relative importance of Unemployment Insurance and other employment as sources of supplementary income. In the Atlantic provinces as a whole, Unemployment Insurance benefits constitute some 20 percent of the total value of Canadian fish landings at dockside. The Unemployment Insurance percentage of net fishing income for an average fisherman varies from a high of about 31 percent in Newfoundland, Quebec and Prince Edward Island to a low of 13 percent in Nova Scotia. Within each province, as well, there is considerable variation between one region and another. By contrast, Unemployment Insurance benefits constitute less than 10 percent of the total net income of inland fishermen and those of British Columbia.[7]

Problems with the Program

Problems with the special fishermen's Unemployment Insurance program, as perceived by the different groups involved, stem from the nature of the program, its inherent administrative difficulties, its inadequacies in meeting the needs of those it was intended to serve, and the obstacles that it presents to processors who need a greater supply of fish during the latter part of the season.

The program is manifestly inconsistent with the principles of social insurance in that contributions from participants constitute only a small percentage of the total outlay and therefore substantial funds are needed

"Regional benefits are an all-or-nothing matter. This gives the existing system a much larger impact on work effort than other work-related benefits schemes. For each of the first 9 weeks the employee earns no weeks of benefits. For the tenth week he earns 42 weeks of benefits and for each subsequent week he earns no additional weeks. The system clearly provides a powerful incentive to the employee to work for exactly 10 weeks regardless of the length of the fishing season and the needs of the processor." (Fisheries Council of Canada, written brief) from general revenue. In recent years over 90 percent of benefits for fishermen have been paid by government out of the Consolidated Revenue Fund. In 1985, for example, premiums paid by fishermen covered only $13 million of the $180 million paid to them in benefits.[8]

The fishermen covered under this special program are self-employed and, as discussed earlier, the degree of moral hazard inherent in their occupation is incompatible with Unemployment Insurance. Concern about the fishermen's Unemployment Insurance program goes beyond its abandonment of insurance principles. While the fishermen's program is incorporated in the Unemployment Insurance Act, it is completely distinct and self-contained. This is necessary because the characteristics of employment in the fisheries are fundamentally different from employment in other sectors, as is reflected in such important elements of the program design as calculation of insured earnings, insured weeks and benefit entitlement, all of which differ from the regular program. A more serious matter is that some elements of the fishermen's program contradict the basic principles governing the rest of the Act, such as the requirement that recipients be engaged in job search.

The program has proved to be ineffective and inadequate in terms of its objective of providing support to the incomes of needy fishermen. It does not address the tremendous diversity within the industry and the often inescapable fluctuations in the level of income of fishermen. Fishermen with low insurable earnings receive proportionately low Unemployment Insurance benefits while those with higher incomes receive higher and even maximum benefits. Their higher incomes may be the result of many factors, from the value of species pursued to good luck in finding a large supply. Unemployment Insurance provides no help whatsoever for those most in need – those who cannot attain the required minimum number of weeks of insurable employment because of natural conditions or government regulations – or for the communities in which they live. Others complain that even for those able to qualify, Unemployment Insurance does not stabilize their income, but rather increases its fluctuation. They receive higher benefits in periods of large catches and lower benefits when the opposite conditions prevail.

Furthermore, there is a degree of inequity in that fishermen are included under Unemployment Insurance while others similarly engaged in the exploitation of natural resources and dependent for their incomes on the vagaries of nature and of government regulation, such as hunters and trappers, are not included. Another problem is that because Unemployment Insurance is so important to self-employed fishermen, it has become one of the ways used to regulate aspects of the industry. The rule about basing benefits on the 10 best of 15 insurable weeks was adopted in order to encourage fishermen to extend their fishing season in order to provide processing plants with more fish during the end of the season. The 10-week qualifying period creates pressure for an extension of the fishing season for some species, when biological control objectives dictate otherwise.

Processors have argued for an increase in the minimum qualifying period from 10 to 14 weeks of insurable employment in order to extend the fishing season beyond the time when the fishermen now do not wish

"In discussing the impact of Unemployment Insurance, it is useful to make a few basic points about the long-run implications of UI for the fishing industry. The first is that the availability of UI for fishermen keeps a significant number of fishermen in the industry who would otherwise leave the industry in order to seek a higher standard of living elsewhere. This has the effect of reducing the returns from fishing for all fishermen and lowers the earned income of fishermen. The second is that the availability of relatively generous regional benefits for workers in the fish-processing industry helps to maintain a larger pool of workers for the industry. The third is that the combination of fishermen's UI and regional benefits tends to discourage out-migration from Atlantic Canada and thus serves to maintain earned income lower than the national average. The fourth is that these programs impede the internal restructuring of the economies of the Atlantic provinces, thereby hampering the improvement of their efficiency, productivity and, ultimately, living standards." (Fisheries Council of Canada, written brief) to fish. As a general provision, however, this increase would create serious problems for fishermen in areas where the fishing season is short for climatic or regulatory reasons, where the supply of fish is limited, and where alternative employment is inadequate. Processors have also complained about the difficulty of obtaining desirable quantities of fish during the latter part of the fishing season, when fish become scarcer. Fishermen with less than 15 weeks of insurable employment are understandably reluctant to continue fishing during that period, since their net insurable earnings would be lower and their Unemployment Insurance benefits would therefore be reduced over the entire benefit period of their entitlement.

"In looking at your numbers in any of the five years shown, the maximum income is about $10,000 average. For a stabilization program to work, there have to be good years and bad years, and there don't seem to be many good years in the numbers." (Maritime Fishermen's Union, Charlottetown hearings)

Some technical shortcomings are also evident in the operation of the program. The program is very difficult to police and relatively easy to exploit. Administrators frequently cannot verify basic information; cheating and fraud may occur. Fishermen and processors may cooperate in juggling their reports of catches for Unemployment Insurance purposes. Catches may, for example, be reported in a week other than the week in which they occurred or they may be shared among several fishermen in order to increase Unemployment Insurance payments. A plant manager, serving in the role of employer under the special Unemployment Insurance plan, pays the same total Unemployment Insurance premium on fish deliveries regardless of who catches the fish. If one fisherman has adequate insured earnings, he may arrange with the plant manager to have his additional earnings recorded in favour of another. The first fisherman may lose nothing, the second gains his Unemployment Insurance benefits, and the plant manager retains a good relationship with both – a matter of vital concern to him in maintaining a secure supply of raw material.

A Response

It is neither within the mandate nor within the competence of this Commission of Inquiry to find solutions to the many problems in the Canadian fishing industry that affect the level of income of fishermen. Unemployment Insurance was extended to self-employed fishermen not as a form of social insurance but as a means of income supplementation.

The many attempts over the years to stretch and to adapt Unemployment Insurance to meet the special characteristics of the offshore fishermen's occupation, so fundamentally different from other occupations, have led to the evolution of a special fishermen's Unemployment Insurance program that bears little resemblance to the regular program. Such important elements of the program as calculation of insured earnings, entrance requirements, weeks of insurable employment, entitlement to benefits, and job search requirements have been redefined to meet the peculiar circumstances of self-employed fishermen. And yet the program has not met the needs of those it was specifically designed to serve – fishermen with low incomes and with the greatest need, and the communities in which they live. Clearly, Unemployment Insurance is neither an appropriate nor an adequate vehicle for income supplementation of fishermen and should be phased

"One of the things that has been cited as a reason for looking at a catch insurance scheme is the problem of fishermen in Newfoundland – not exclusively in Newfoundland but predominantly in Newfoundland – who, in this past fishing season, were not able to get enough fishing catches to qualify for Unemployment Insurance . . . We cannot recommend any radical change from the existing program for the following reasons: a catch insurance scheme as has been suggested at the First Ministers' Conference would be perceived as an even more direct subsidy of our industry in the view of our American trading partners than the Unemployment Insurance fishing program is now; and a catch stabilization plan would either have to winnow out the least productive fishermen over time or be probably a greater drain on the federal treasury than the present program." (Prince Edward Island Fishermen's Association, Charlottetown hearings) out as a means of solving the many problems that influence their incomes.

This Commission of Inquiry is not the first to reach that conclusion. Numerous studies and reviews which have subjected the special fishermen's Unemployment Insurance program to searching scrutiny have recommended its replacement over time with a more appropriate mode of providing support to fishermen. It is recognized, however, that the phasing-out of the special Unemployment Insurance program for fishermen would inflict severe hardship unless an alternative program has been adopted and implemented. We recommended in Chapter 4 that income supplementation be a major element in a reformed and improved income security system for the entire country. Some reforms can be introduced, however, without waiting for the implementation of a comprehensive nation-wide program. The financial resources currently devoted to regionally extended benefits and to fishing benefits are substantial in some provinces and could provide the basis for negotiating a program of income supplementation with each of the interested provinces. The resulting income supplementation would not be reserved specifically for fishermen, or even for those engaged in the exploitation of natural resources whose incomes are similarly subjected to the uncontrollable influences of nature, but would be available to all workers in need.

Recommendation

33 "Part V Fishermen's Regulations" should be amended to establish a five-year maximum deadline for phasing out the eligibility of self-employed fishermen for Unemployment Insurance.

- During this five-year period, eligibility for special fishing benefits should not be extended to any new fishermen. Current Unemployment Insurance beneficiaries should be permitted to elect to receive a weekly payment during their off-season calculated on the basis of their average entitlement over the preceding five years rather than on the current schedule of benefits.
- Also during this five-year period, the federal and the provincial governments involved in the fishing industry should develop and implement an income supplementation plan for all workers in relation to their need, with resources at least equivalent to those currently available for Unemployment Insurance benefits to self-employed fishermen.

Summary and Conclusions

We listened carefully to the arguments of the self-employed. They too experience the distress of unemployment, but they control their own destinies to a certain degree. Because an Unemployment Insurance program must minimize moral hazard, we have come to the inescapable conclusion that the needs of the self-employed must continue to be met by means other than Unemployment Insurance.

The exception has been self-employed fishermen. The decision to include them in the Unemployment Insurance program was a political one, motivated by social rather than economic reasons. From the beginning, the support provided to fishermen has been income supplementation rather than social insurance. The program has not done enough to alleviate the inadequacy and instability of the incomes of self-employed fishermen and the communities in which they live. One reason is the complexity of the situation – the diversity of the fishing industry and the many factors that can affect income in serious and fundamental ways. Another reason is that Unemployment Insurance is not an appropriate or adequate vehicle for providing income supplementation. We have therefore recommended that the benefits of the special fishermen's Unemployment Insurance program be phased out over a five-year period and that the governments involved adopt and implement a more adequate response to the needs of not only self-employed fishermen but all who are without adequate incomes. What is required is an effective fisheries policy, a genuine income supplementation program and a long-term regional/community development strategy.

"If you should recommend that fishermen or certain classes of fishermen be removed from the benefits of Unemployment Insurance, then you must make that recommendation on the condition that another program is put in place." (Government of New Brunswick, Fredericton hearings)

Notes

1 Statistics Canada, *The Labour Force, December 1985* (Cat. no. 71-001), 1986.

2 Canada, Department of Communications, Federal Cultural Policy Review Committee, *Report* (Ottawa: Minister of Supply and Services Canada, 1982).

3 Canada, House of Commons, Standing Committee on Communications and Culture, *Report of the Subcommittee on the Taxation of Visual and Performing Artists and Writers* (Ottawa: Queen's Printer, 1984).

4 Canada, Department of Communications, Task Force on the Status of the Artist, *The Status of the Artist* (Ottawa: Minister of Supply and Services Canada, 1986).

5 Brief to the Commission of Inquiry on Unemployment Insurance, dated January 29, 1986.

6 Brief to the Commission of Inquiry on Unemployment Insurance, dated January 16, 1986.

7 Canada, Department of Fisheries and Oceans, *Fisheries Atlantic Survey 1984* (Ottawa: The Department, forthcoming).

8 Internal data supplied by CEIC Financial Research, Finance and Administration Branch.

Rosemary Cairns, Public Affairs Officer, Yellowknife, Northwest Territories

While the specifics of her case are not typical, Ms. Cairns' account of her battle with the Canada Employment and Immigration Commission illustrates the confusion and frustration experienced by many claimants who appeal benefit decisions.

I recently went through the appeal process, from the Unemployment Insurance officer to the Board of Referees to the Umpire. I had appealed the Unemployment Insurance Commission's classification of the accommodation allowance as earnings, arguing that it represented a way of alleviating the higher cost of living in the Northwest Territories.

I am 35 years old and have been working on a part-time and then a full-time basis since I was 17 and have been contributing to the UI system all that time.

I applied for UI in May of 1983, when I went on maternity leave ... I was then working for the Government of the NWT. At that time, the only benefit it provided to women who were going on maternity leave was a continuation of the tax-free $450-per-month accommodation allowance. I assumed that I would be able to receive UIC benefits and the accommodation allowance, because that allowance was tax free.

What actually happened was that UIC deducted the accommodation allowance from the UI maternity leave benefits. I asked at the time about UIC's treatment of the accommodation allowance and got varied answers. My questions actually seemed to slow down the entire process.

I got one payment card, at the end of May, indicating that because of the income I was receiving, I was not entitled to any UI benefits for that period ... On June 24, I received a cheque for $161 covering the weeks of May 15 and May 22; the report card I subsequently returned spelled out the various monies I was receiving and asked about the treatment of tax-free allowances by UIC.

I received a phone call from UIC in mid-July asking for explanations of these amounts but heard nothing further until mid-August, when I phoned UIC several times to ask what had happened to my claim ... Towards the end of August, I went into the UIC office and was asked to fill in report cards covering the period from May 29 on. I did this and, on September 12, I received six cheques issued one after the other, each for $78.00. I also received two more report cards, covering the weeks of August 21 and September 4.

On September 14, I received a payment demand from UIC's collection office in Edmonton, indicating that I had been overpaid and demanding that I repay $161.

At that time, I was in the process of appealing the ruling on the accommodation allowance to the Board of Referees. But when I kept getting computerized letters indicating that my wages would be garnisheed unless I paid, and no response to any letters I wrote, I sent UIC a series of 16 post-dated cheques to cover the amount owing. The last of these was cashed the month before my appeal hearing before the Umpire in Edmonton in May 1985.

Just before Thanksgiving of 1983, I received a notice from UIC indicating that my appeal would be heard in Edmonton the next week. It gave me one business day to visit the UIC office here in Yellowknife to view the CUBS[a] which had been cited by UIC in arguing that my appeal should be rejected.

I was outraged that UIC, which was telling me that I had a right to appeal and a right to appear before the Board of Referees, was now telling me that I had no right to appear before a Board of Referees in the territory in which I lived. All along I had been dealing with the CEC in Yellowknife; now I was expected to get to Edmonton with a small baby in tow in order to exercise that right. So I protested. The compromise was a telephone conference call hearing before the Board of Referees ... In its decision turning down my appeal, the Board said the appeal hinged around an important fact, but didn't say what that fact was.

The UIC appeal process sets out only three very circumscribed grounds for appealing a Board's decision. I found that my hands were tied in appealing to the Umpire when I did not know the reason for the Board's decision, so I wrote to the chairman of the Board of Referees to ask him to explain it. The letter I got back did not help at all.

So I appealed to the Umpire on all three grounds indicating that because the Board couldn't explain why it had made its decision, I had no other choice.

CEIC in Ottawa sent me a copy of its argument to the Umpire, as it is required to do . . . My confidence in the appeal system wasn't helped when they also sent a copy of a ruling by an Umpire indicating that if there had been *any* evidence *at all* before a Board of Referees which could have led to its decision (whether it had even considered that evidence in its decision or not), the Umpire was not entitled to review the appeal.

Earlier this year, I received a double-registered letter from the Umpire directing me to appear before him in Edmonton in May. UIC had to cover my travel expenses to Edmonton . . . In the end, my travel to the hearing ($556.00) cost UIC more than it ever paid me during my maternity leave ($629.00 – $161.00 = $468.00).

Although the Umpire's ruling did not reverse the original decision, it did at least provide a clear decision on the points which had confused me. It also suggested that UIC had, in effect, made a mistake and should, by trying to find a way to relent on its demand for repayment, pay for its own errors . . . But that still leaves me wondering what the whole appeal process actually achieves. It is a very limited and bureaucratic process, which doesn't really meet anyone's needs adequately.

I suggest to you that the UIC appeal system has to be overhauled. In the current system, UIC almost always wins unless a claimant can afford to hire a lawyer familiar with UIC regulations to plead his or her case. The current system is biased against the average claimant because it makes up and follows its own rules, which really are understandable only to experts. What seems reasonable to the average citizen does not seem reasonable to UIC. UIC, to give a small example, says it doesn't care what the Department of National Revenue thinks about what is taxable and what is not taxable. That's not relevant for UIC's purposes, so any argument you might make about what the Department of National Revenue does, even in the case of a Cabinet remission order, is irrelevant to UIC.

UIC does not seem clear on its own mandate. One gets the impression that UIC feels it is dispensing its own money out of the goodness of its own heart, not that this is an insurance scheme from which one is entitled to collect because one has paid premiums. One also does not get any impression from UIC that it thinks it ever makes mistakes . . . No private business could function for long with that sort of rationale.

I think UIC must be a very difficult, inflexible system to work within, one in which people cannot use common sense. It also does not seem to me, despite all its computers, to be a very well-managed system. I still do not understand, for example, why UIC would send me six numerically sequential cheques and then two days later send me a demand for payment; if they felt I owed it, why not deduct it from the cheques? I don't think that sort of procedure, which seems to demonstrate very clearly that the collections branch does not communicate with the benefits branch, provides for any careful and efficient expenditure of the taxpayer's dollar.

I am fairly articulate, and fairly stubborn. But throughout this whole experience, I kept wondering how I would feel if I was an NWT resident who felt comfortable only in Inuktitut or one of the Dene languages and felt that UIC had been unfair. So I ask you to consider the merit of setting up a Board of Referees in the NWT whose representatives include people whose first language is one of the native languages, as well as people whose first language is English.

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a Canadian Umpire Benefit Decision.

Chapter 10

The Reform of Program Delivery

Introduction

Any program, however well designed, is only as good as its system of delivery and administration. Five elements have major influences on program delivery:

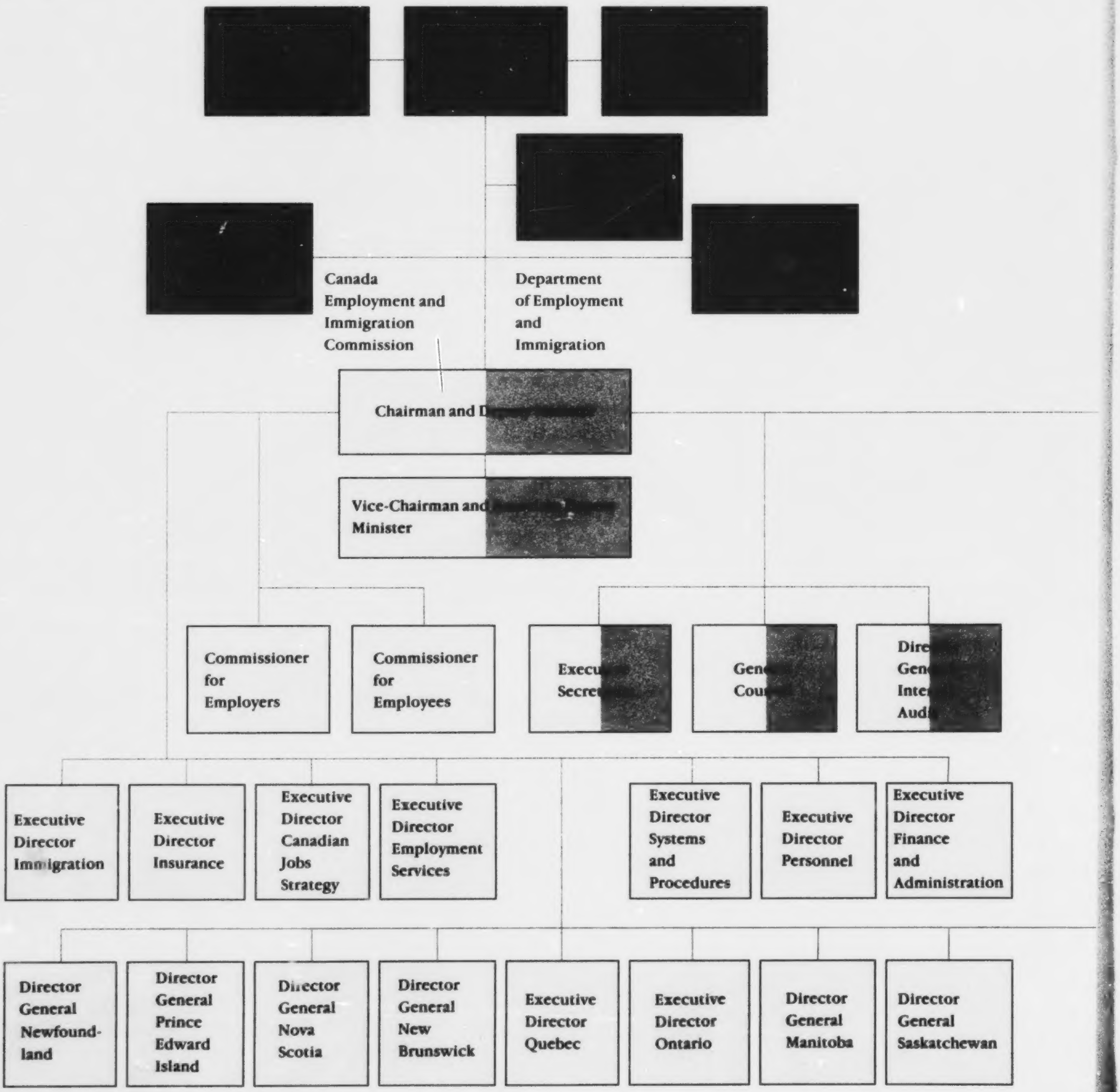
- the legal framework, which determines the ultimate power, authority and decision-making processes;
- the financial framework, which determines the resources available;
- the policy and regulatory framework, which translates the legal framework into action;
- the organizational structures and administrative procedures, which define duties and responsibilities within the organization; and
- the staff, who determine the style and interaction between the program and clients.

Throughout the hearings and consultations, complaints about services and program delivery were widespread. The problems discussed in this chapter are those brought to our attention most frequently. They should not be viewed, however, as criticism of individual staff members of the Canada Employment and Immigration Commission. Discussions with staff in offices across the country, and the presentations made by their union, were helpful in revealing the problems contained in the Act and in the current systems and procedures. As the comments presented in this report convey, there was a range of experiences and interactions between clients and staff. The staff are perceived to be generally competent but constrained and overwhelmed by a system that has lost its purpose and has become self-serving. The question is not how to make staff more compassionate and considerate, but rather how to provide an organization that will enable the staff to provide service in a way that is sensitive to the situation and needs of individual clients.

"We could spend a lot of time dwelling on the forbidding aspects of any CEC: long line-ups, a lack of equipment for the physically handicapped, confusion between the manpower and the Unemployment Insurance services within the offices, no questionnaire allowing the claimant to evaluate the service and to provide impressions to anybody, a somewhat frosty reception and an attitude that shows that persons who have fallen victim to unemployment are naturally 'lesser' people, open office areas where anybody can hear anyone else's story, etc." (Confédération des syndicats nationaux (CSN), written brief)

"There are a lot of really good people who work for the Unemployment Insurance Commission. They try very hard in very difficult circumstances. I think the problem has been more with the laws they have to administer and with the nature of the administration that they have to work under." (Community Unemployed Help Centre, Winnipeg hearings)

Figure 10.1
Organization Structure


[redacted]
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[redacted]
[redacted]
Canada Employment and Immigration Commission
Department of Employment and Immigration
Chairman and D[redacted]
Vice-Chairman and [redacted] Minister
Commissioner for Employers
Commissioner for Employees
Execu[redacted] Secre[redacted]
Gen[redacted] Cou[redacted]
Dire[redacted] Gen[redacted] Inte[redacted] Aud[redacted]
Executive Director Immigration
Executive Director Insurance
Executive Director Canadian Jobs Strategy
Executive Director Employment Services
Executive Director Systems and Procedures
Executive Director Personnel
Executive Director Finance and Administration
Director General Newfoundland
Director General Prince Edward Island
Director General Nova Scotia
Director General New Brunswick
Executive Director Quebec
Executive Director Ontario
Director General Manitoba
Director General Saskatchewan

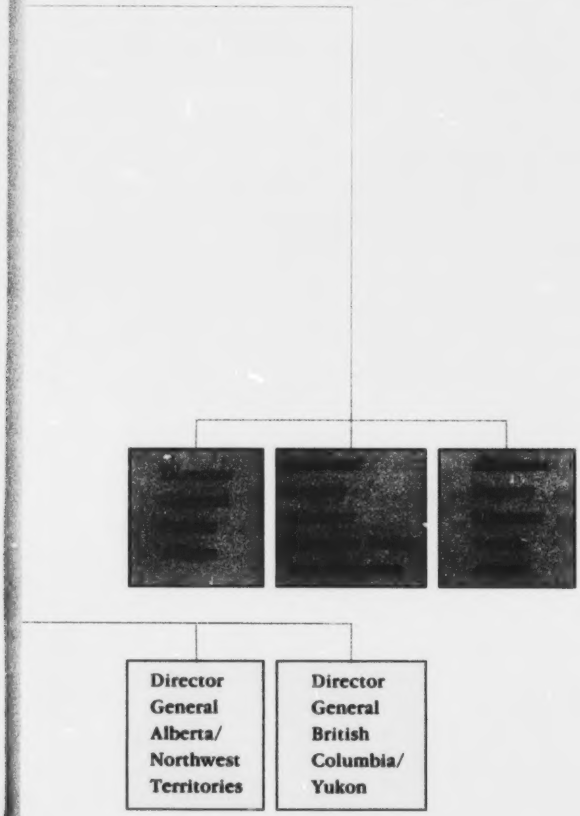
Power, Authority and Decision Making

The current Canada Employment and Immigration Commission was established in 1977 by integrating the Unemployment Insurance Commission and the Department of Manpower and Immigration. At the same time the Department of Employment and Immigration was created.

> This [integration] was of historic importance to the Canadian UI program because it finally buried the 1940 principle that UI should be both "insulated" from political pressure through management by an autonomous Commission, and that employers and employees had a proprietary right to the program and should therefore be represented on the Commission. The principle was eroded in the 1946 amendment . . . and again in 1966 . . . The 1977 amalgamation went much further however, in placing the Deputy Minister in the Chair and reducing the private sector representation . . . The government in effect "expropriated" the UI program.[1]

"What we have now is a skeleton . . . the organization . . . doesn't work as it should. We have tried to amend the system radically by additions and changes, and I think we have already lost a lot by doing that. The legislation is there, but it is very complex and nobody can understand it, let alone use it. At the same time, the government is constantly intervening so that the apparatus is not just politically hobbled, it is no longer capable of functioning." (Canada Employment and Immigration Advisory Council, Ottawa hearings)

The structure of the Commission and of the Department is shown in Figure 10.1. The Minister of Employment and Immigration is responsible to Parliament for the direction and management of the Department and for the report of the Commission. The Deputy Minister of the Department serves also as Chairman of the Commission, and the Associate Deputy Minister is its Vice-Chairman. The Executive of the Commission consists,


Director General Alberta/ Northwest Territories
Director General British Columbia/ Yukon

in addition, of two commissioners, one representing workers and the other employers. There is an Employment and Immigration Advisory Council appointed by the Governor in Council after consultation with organizations representing workers and employers. The function of the Council is strictly advisory.

The Commission/Department is a massive, geographically dispersed agency that provides service to clients in over 460 Canada Employment Centres and on 572 campus offices, as well as various itinerant services and outreach projects. It employs approximately 28,000 people.[2] Total expenditures of the combined Commission/Department for 1984/85 were approximately $13.8 billion, of which $11.7 billion was from the Unemployment Insurance Account.[3]

"I am fully in favour of integration of the departments' co-location because there is no question that those people who apply for Unemployment Insurance should have an employment service accessible to them very quickly. But when they integrated UI with the Canada Manpower Centres, they went so far as to integrate some jobs. One of the job descriptions that came out of this was called the Employment Insurance Officer, commonly referred to as E&IO, which is, in my opinion, a classification nightmare, because it puts together two very complex jobs and is almost impossible for one individual to be able to deliver." (Canada Employment and Immigration Union, Ottawa hearings)

The 1977 integration of the Department and the Commission had several objectives. The principal one was to provide one-stop service to help individuals find employment, improve their employability, and/or receive Unemployment Insurance benefits. It was expected that services to clients would be simplified, that the unemployed would be placed more quickly in jobs or training programs, that administrative overhead would be reduced, and that better administrative control could be exerted over the Unemployment Insurance program.[4] The integration was phased in gradually and by 1979 almost all the offices were co-located.

This current structure provides the federal government with a high profile. Aside from the Post Office, the local Canada Employment Centre is the only major presence that the federal government has in most communities. Unemployment Insurance also provides the federal government with a means to direct money to individuals rather than to provincial governments or organizations. In that regard, it is similar to Family Allowances, the Canada Pension Plan, Old Age Security and the Guaranteed Income Supplement.

These aspects of the current system explain much of the erosion of the independence and autonomy of the Commission since 1940. The understandable desire on the part of the federal government to get credit for its expenditures and to be involved in the local labour market meant that by the 1960s, two parallel structures had developed – Canada Manpower offices and Unemployment Insurance offices – both frequently attempting to serve the same clients, competing for funds and duplicating administrative systems. In that context, integration was a rational move, but it has not resulted in the kind of efficiency or responsiveness that was sought. Moreover, it has brought in its train unintended results that have compromised the independence of the Unemployment Insurance Commission.

The Need for Reform

The current Commission lacks autonomy, power and authority. Although nominally independent, it operates as a department of government and, as such, is regulated by guidelines of the Treasury Board and the personnel policies of the Public Service Commission. While the Unemployment Insurance program continues to be financed primarily from premiums, only minimal influence is exerted by the two commissioners who represent employers and employees. Indeed, the responsibility of representing the broad range of interests of Canadian employers and employees is an impossible task for only two commissioners. Proper representation of the varying interests within each group requires an increase in the number of commissioners and in their autonomy.

"We are paying for those services through our deductions. We have a right to decent service. We do not want to go in there to be harassed, to be humiliated, to have our time wasted. It is about time that the Unemployment Insurance Commission started behaving like a public service agency instead of a bunch of little dictators." (Paul Hutcheson, Victoria hearings)

A review of the history of the Unemployment Insurance program reveals that the major influences on its policy since 1940 have been the result not of negotiations between employer and employee interests, but rather of political and bureaucratic interventions.[5] Political direction has been responsive to particular crises and constituency concerns, as might be expected, but the overall size, organizational culture, and program direction have been controlled by the bureaucracy of the department and central agencies.

"The bureaucrats and the politicians have made what was initially a simple concept of providing sustenance in cycles when people were not working into one of the most jumbled, complicated, difficult systems to assess in all of Canada's public arena." (British Columbia Government Employees Union, Vancouver hearings)

The labour and business groups that advocated the integration of Unemployment Insurance and employment services before 1977 may have underestimated the size and power that the organization would acquire. They may also have underestimated the bureaucratic tendency to channel a large part of the organization's power into control and other mechanisms to serve the system rather than the clients. Less than 10 years later, frequent complaints are being heard that those who pay the lion's share of the costs do not have a voice in managing the program, and that the delivery of services is not responsive to the needs of the clients. The adoption of an administrative structure that would reflect these legitimate concerns and restore efficient and effective delivery of the program to its proprietors was strongly advocated at the public hearings.

"Employers and employees should have greater influence in UI policy formulation and fund administration, perhaps by means of a policy board." (Canadian Manufacturers' Association, written brief)

The problem with the present delivery structure is twofold. First of all, the Commission is not directed or controlled by the premium payers. Employers and employees are viewed as special interest groups, not as proprietors of the program. Second, the federal government's responsibilities for immigration, Social Insurance Numbers, job creation, training and labour market intelligence are broader than the functioning of an effective Unemployment Insurance program. Combining all of these services with Unemployment Insurance has made the bureaucracy overly complex and unmanageable.

Recommendation

34 A new autonomous organization, the Unemployment Insurance Commission, should be established to be the mechanism for delivering Unemployment Insurance and employment services, and it should operate at arm's length from the government.

Throughout this report the need has been stressed for the federal government to assume leadership in establishing a comprehensive

"The government should be directly responsible for the financing of any socially inspired benefits." (Vancouver Board of Trade, Vancouver hearings)

human resource development strategy. As part of that strategy, a revitalized government department, it is suggested, would maintain the federal government's responsibility for immigration, training and labour market development. It is envisaged that this department would have a broad mandate for human resource development, encompassing federal responsibilities in all the areas discussed in Part II of this report: employment development, education and training, labour market intelligence, and employment equity. Various elements of that broad mandate are currently housed within other government departments (including Labour, National Health and Welfare, and the Secretary of State). Whether or not all of the functions included in human resource development are moved to one department, coordination of initiatives will be essential.

The Various Forms of Crown Corporations

Government organizations come in a variety of forms to suit particular needs and circumstances. While the activity itself dictates the general type of organization, the extent of public interest and how it should be exercised determine the organization's precise shape and relationship to other government bodies. Three types of organizations other than departments are possible under the Financial Administration Act: departmental corporation and two types of parent Crown corporations.

A departmental corporation (listed in Schedule B of the Act), such as the National Research Council, the National Musuems, or the current Canada Employment and Immigration Commission, is usually established to perform administrative, research, supervisory, advisory or regulatory functions. The departmental corporation is an integral part of the public service and is dependent on parliamentary appropriations. Its employees either come under public service legislation or are covered by special legislation. The departmental corporation is often created to satisfy one or two specific needs, such as the ability to buy, sell or hold property, or the right to sue and be sued, in the performance of what is otherwise a standard governmental activity.

The parent form of Crown corporations can be of two types, both responsible for the management of trading or service operations on a quasi-commercial basis. Through their minister, both are ultimately accountable to Parliament for the conduct of their affairs. The Governor in Council may give directives to these Crown corporations which then must be tabled in Parliament. Both types usually have a board of directors appointed by the Governor in Council (consisting of directors, chairperson, and chief executive officer). They both submit an annual corporate plan to the appropriate minister (describing the purpose, objectives and expected performance of the corporation) and an annual capital budget for the approval of Treasury Board (encompassing all businesses, activities, and investments with restrictions on capital expenditures or commitments). The minister tables a report regarding corporate plan, capital budget, and operating budget, as well as an annual report on the operations of the corporation.

The difference between the two types is basically one of appropriations. Parent corporations listed under Part I of Schedule C of the Financial Administration Act, must submit a detailed annual operating budget to Treasury Board each year. Because these corporations use public appropriations, the government maintains close control and supervision over them and demands accountability for their actions. Examples of Part I parent corporations are Canada Post and the National Capital Commission.

Parent Crown corporations of the second type are self-sufficient and enjoy an arm's-length relationship with the government because their operating budgets are not subject to governmental approval. A Crown corporation is only listed under Part II of Schedule C of the Act if the Governor in Council is satisfied that it operates in a competitive environment and is not ordinarily dependent on appropriations for operating purposes. Examples of the Part II type are Air Canada and Petro-Canada.

The board of directors and senior officers of the parent Crown corporation under Part II of the Schedule are expected to act as if the firm were privately financed and to generate earnings sufficient for continued growth and development. Should the government request such corporations to undertake specific activities in the public interest, it may pay compensation as to any privately held company. However, all Crown corporations are expected to be sensitive to public policy objectives, economic and non-economic.

While both types of parent Crown corporation combine the goal of public interest with the structure and management methods of private commercial enterprise, the form under Part I is generally used for what are essentially government activities. Personnel are covered by either the Public Service Employment Act or the Canada Labour Code. Part II parent Crown corporations are most often established to manage financial or commercial/industrial operations. They function like private firms, with similar motivations and competitive responses and similar tests of success and failure. Such corporations are free to manage their affairs independently, and public interest is satisfied by the imposition of general policy direction from the government and by the nomination of independent board members.

Recommendation

35 The remaining Department of Employment and Immigration should be revitalized, with a broad mandate for human resource development.

The Structure of a New Commission

Various forms of governmental organizations were considered for the proposed autonomous Unemployment Insurance Commission. In order to address the problems inherent in the current structure, the range of organizational structures possible under the Financial Administration Act were examined (see box). A parent Crown corporation which operates with the greatest independence is the preferred form of organization. Admittedly, the new Commission would not meet the criterion of operating in a competitive environment. But the new Unemployment Insurance Act would closely regulate its operations and limit its discretion with respect to the basic features of the Unemployment Insurance program and the appeal process, so that the protection which a competitive environment normally provides the public would be guaranteed by limitations in the Act. The operation of the reformed Unemployment Insurance program would conform to the criterion of not requiring parliamentary appropriations, since it would be wholly financed by premiums.

Recommendation

36 The new Unemployment Insurance Commission should be established as a parent Crown corporation under Schedule C, Part II, of the Financial Administration Act.

In order to increase the involvement and influence of employers and employees in the management of the program, it would be necessary to establish a board of directors with wider representation than at present. This board should be granted overall authority and responsibility for the operations of the Commission. The board should also hire its own staff and manage its own Unemployment Insurance Fund.

The intent of these proposals is to operate the Unemployment Insurance system as a self-supporting activity within a legislative framework that safeguards the public interest. Thus, once the new legislation is in place and the directors are appointed, administration of Unemployment Insurance would be managed at arm's length from the government and would represent and balance the interests of those who pay for the program through their premiums. This reform is deemed essential to restoring the credibility and integrity of the program.

"We urge the Commission to consider a national advisory committee which would be responsive to the needs of the numerous employer groups in Canada and which would be available to assist the Commission employer representative." (Canadian Petroleum Association, Calgary hearings)

"Workers should have more representation in the UI Commission; it should be numerically equal to that of employers and government." (Centrale de l'enseignement du Québec, Montréal hearings)

Recommendation

37 **The board of directors of the new Unemployment Insurance Commission should consist of between 13 and 21 members, and a majority of members should be selected equally from labour and from employers.**

- **These appointments should be made by Order in Council upon consultation with interested groups and for a fixed term of three years, with one-third of the board eligible for replacement and reappointment every year.**
- **The board of directors should be responsible for selection of the chairman of the board and of the chief executive officer.**

Redressing the Unequal Relationship

The proposal to establish an autonomous Commission that would administer a reformed Unemployment Insurance program was motivated by a strong conviction that the administration of the program must be made more responsive to the needs and concerns of both employees and employers. It was also considered necessary to correct the current imbalance between a massive impersonal bureaucracy and the individual claimant. Another factor, though not the dominant one, was the view that the reformed Unemployment Insurance program should be paid for entirely from premiums. It therefore seems reasonable to propose that those who pay for the program should have responsibility for its administration, subject to Parliament, and to assume that this administration will be more sensitive to the needs and concerns of those who contribute to financing the program.

There is, however, a long tradition of administering the program from a different point of view, and there are well-established patterns of behaviour that are based more on administrative convenience and control than on consumer service. Those traditions and patterns will not be easily overcome. The new autonomous Commission will have to address this challenge with dedication, vigour and persistence.

Another approach – namely, to correct the current defects through a series of legislative remedies – was not accepted, not only because it does not attack the root cause of the problem, but because continuous piecemeal adjustment in the past has compounded an already complex situation and is the cause of much of the current confusion. The proposed solution is to establish an agency which will be perceived as credible, sensitive and capable of exercising discretion responsibly.

"The administration of UI is a horrible, inscrutable, paperbound bureaucratic mess operated by weary, disinterested, unsympathetic, paperbound bureaucratic servants, who are vaguely guided by a vast tangle of unpredictable rules, lists and procedures. For some people, actually squeezing the first payment out of the system is a bit like persuading Albania to issue a tourist visa." (Benetech Canada Inc., written brief)

"Somebody said to me years ago that you have to look at UI in the perspective of what it is: it is an insurance company, and insurance companies don't like to pay out. If you take that attitude in dealing with the UIC, then you will always be able to cope. Unfortunately, that is the case; you have to take an adversarial relationship with them. They are not there to help. They are there to hinder." (Kamloops Unemployment Guidance Centre, Vancouver hearings)

Recommendation

38 **The legislation enacting the Unemployment Insurance Commission should grant it full authority over the implementation of the program and responsibility for the delivery of services.**

It would be unfair to give the impression that the proposed structural change will magically solve all of the problems that are specifically addressed in this report. The concerns expressed at the hearings show that the present approach has led to a sense of disequilibrium and even to a bias in program administration. The unequal relationship between the Canada Employment and Immigration Commission and individual claimants or employers is the result of several factors. The most important ones – apart from the size and monopoly position of the Commission and the compulsory nature of the program – seem to be the following:

- The complexity of the Act and the regulatory process creates an unavoidable disparity between the technical expert who understands the program and the non-expert who has to trust the expert, and between the skilled administrator and the client. This is not an issue that either the present or future agency can eliminate entirely.
- There is a disparity between those who have access to information and those who do not. Information (even about relatively simple rules) is not equally accessible to the administrator and the client. Although this disparity cannot be avoided altogether, more client-oriented administration could significantly alter the balance.
- There is a disparity between those who have discretionary power in implementing the program and those who are subject to their decisions. This is the area where a new and differently constituted Commission could have the greatest impact.

"Workers are always being told, 'You don't have the right to this, you don't have the right to that'. But they are rarely told, 'You could be entitled to this'." (Société des ressources communautaires de Brandon, Montréal hearings)

"Some of our members who have drawn UI have been penalized or suspended from receiving benefits because they didn't know the rules." (Mainland Nova Scotia Building and Construction Trades Council, Halifax hearings)

"As far as pamphlets are concerned, pamphlets are available in all CEIC centres. They deal with a wide variety of subjects, such as bi-weekly report cards, maternity benefits, rules for fishermen, how to look for work. By and large, we don't feel these materials are adequate. They don't contain the information that claimants really need to get through the system." (Vancouver Island Building and Construction Trades Council, Vancouver hearings)

Information to the Public

There is widespread criticism of the lack of information about the Unemployment Insurance program provided to employers and claimants. Although the Canada Employment and Immigration Commission produces and distributes a wide range of publications, audiovisual programs and advertising, the perception exists that the information supplied is inadequate. At the hearings there was clear evidence of the frustration of the public over such basic problems as insufficient telephone lines. It is difficult to avoid the conclusion that public access has not been given the priority that it deserves.

One strong indication of public frustration is the number of requests and complaints regarding Unemployment Insurance directed to Members of Parliament. The 36 MPS from all parts of the country who attended the hearings all referred to this. One Ottawa-area Member claimed that his constituency office hears "far more complaints about Unemployment Insurance than about any other single government program." In 1985, 38 percent of requests for his assistance about federal government programs concerned problems with Unemployment Insurance or other Employment and Immigration programs.[6] The responsibility to inform claimants of their rights and of the necessary Unemployment Insurance procedures must rest with the Unemployment Insurance administration. Claimants require better information at initial contact, and assistance to guide them through the complexity of the Act as it applies to their situation. There is a need for services in languages other than English and French, and for sign language for hearing-impaired clients.

"Every disabled person – just like every woman or native person, or whatever subgroup you would like to refer to – is different. Some people are a little less independent or stubborn than others, and might require more help. In my case, all that I was requesting was that somebody read the information to me." (Jay Madsen, Toronto hearings)

"It seems to me that I spend a third of my time just filling in forms." (Anne Parkinson, sawmill owner; CBC/*Venture*, April 27, 1986)

Employers and claimants have different information needs. Employers need clear and prompt information about their responsibilities. They need special advisors at Canada Employment Centres who are familiar with the problems of employers, especially those in small businesses. They also want simpler forms and a system that allows them access to rulings. Although many publications are provided to help claimants, there are very few sources of printed information for employers other than the complex guide to filling out the Record of Employment. The result is that they often find the Unemployment Insurance system incomprehensible so that the vast majority of employers are unaware of how the Act can affect them. A review of the readability of the guide to the Record of Employment showed that readers must have the educational equivalent of a post-secondary degree to understand it.[7]

"Access to information about Unemployment Insurance matters is a frustrating process, you know. I've had friends who have waited, tried to get through on the phone for days for information. Approaching employment counsellors is another whole trip. You end up waiting hours in the office in different lines to see people who are overworked." (Arja Lane, Sudbury hearings)

Recommendation

39

The Unemployment Insurance Commission should do more to inform the public, employers and employees about the program in general; about the requirements of the law, regulations and appeal process; and about the rights and responsibilities of claimants and appellants.

Policies and Procedures: The Rules

A distinction must be made between the principles that determine the benefit structure of any Unemployment Insurance program and the rules of implementation that are used to deliver the program. How, for example, does one apply for benefits? What are the criteria used to determine whether unemployment is "involuntary"? What does searching for a job mean in practice? Currently, some rules are found in the Act itself, some in the regulations, some in administrative interpretations, and some are suggested by the decisions of umpires (see box).

"As a comprehensive income replacement program, a key part of our network of social programs, our Unemployment Insurance system must be humanized and made more accessible with its restrictions and exclusions limited only to preventing abuses and not used to prevent genuinely unemployed workers from obtaining the benefits to which they are entitled." (British Columbia Federation of Labour, written brief)

Where to Look to Find out about Eligibility and Coverage

Staff of Canada Employment Centres might have to consult any or all of the following documents when making a decision regarding ***eligibility*** for benefits. Not only are there problems in terms of the copious amounts of information the officer must digest; frequently there are inconsistencies from one reference to the next.

- Unemployment Insurance Act;
- Unemployment Insurance Regulations;
- Benefit Manual (explains applications of the Act);
- Benefit Manual Circular (explains Benefit Manual);
- Benefit Manual Bulletins (corrections or updates to Benefit Manual);
- Directives Insurance Services (Regional Headquarters' interpretation and application of Unemployment Insurance Act and jurisprudence);
- General Policy Telex (changes not yet printed in above material);
- Insurance Services Policy Manual (explains Commission's policy);
- Digest (explains jurisprudence from umpires' decisions).

In decisions regarding ***coverage***, the officer refers specifically to:

- Unemployment Insurance Act (Part IV, Sections 3 and 4);
- Regulations (Part II, Section 50);
- Benefit Manual (Chapter 4.4.2, 12);
- Insurance Services Policy Manual (Sections 10 and 28); Director Benefit Programs and Directives Insurance Services and General Policy Telexes (84-37, 83-77, 85-2A, B, C, D, E, F, G, H, I, General Policy: 85-33, 85-36, Directives Insurance Services: 84-6);
- Benefit Manual Circulars: 84-8, 84-10, Benefit Control Circulars: 84-7, 79-6, 84-11;
- Digest (Chapter 10.12 1-1400).

Wherever rules are to be found, the proposed Unemployment Insurance Commission should have wide discretion and control over the implementation of the Act. It should be the responsibility of the Commission to determine the rules to be adopted in order to deliver the program. This enlarged administrative discretion will give the new Commission its most significant opportunity to reflect an attitude and philosophy more responsive to the needs of clients.

"The system is so complicated that one of the biggest complaints is, 'If I don't ask the right question, I don't get the right answer'." (New Brunswick Federation of Labour, Moncton hearings)

In many cases, present rules and procedures (whatever their legal status) penalize the claimant for lack of information about detailed but non-essential requirements. Ignorance about detailed rules should not be detrimental to a claim. The following are some of the needed reforms.

Deadlines

The present Act and regulations provide that a claim for a benefit must be made by a claimant within a narrowly defined time period – namely, the day "he was first qualified to make the claim" (Section 20(4)). But the claim can be "antedated" if the claimant had a "good cause for the delay" (Section 39 of the regulations).

"At no time should people lose this money for whatever reason. Quite often, pride is the roadblock standing in the unemployed person's way. Most people do not apply for benefits immediately because they honestly believe that a little hard work will find them a job almost immediately. Unfortunately, this is not a reality. The CEIU believes that the criteria for allowing antedated claims should be expanded by giving more credibility to the client for job search and other reasons. The CEIU recommends that claimants should have one month within which to file a claim." (Canada Employment and Immigration Union, written brief)

Similarly, benefits can be interrupted during a benefit period (a fixed 50-week period after initial qualification) when the claimant finds full-time employment. If that employment is lost before the benefit period has ended, the initial claim can be renewed. The request for renewal, however, is also subject to a filing deadline.

The number of appeals lodged against decisions denying benefits in these circumstances indicates that the filing rules have important implications in terms of lost benefits. Under existing practice, one must fight over what is a "good cause" for delay. There were many suggestions to make existing rules about deadlines better known and to excuse bona fide mistakes about legal requirements. What is required is not more information about bad rules but a critical evaluation of the real justification for these rules. This Commission of Inquiry can see no good reason for not accepting a claim at any time during the period for which the claimant would be eligible for benefits.

The Onus of Proof

Rather than stating neutrally that under certain circumstances the claimant does or does not have the right to benefits, the Act states that there is no entitlement *until* the claimant *proves* that the qualifying circumstances exist (Section 54). This is an unusual and unnecessarily harsh way of imposing the burden of establishing the claim on the claimant. A claimant who is entitled to benefits has no right to them until he or she "proves" that entitlement. This does not reflect an attitude of service or sensitivity to the needs of the client.

"The Law Reform Commission Report of the mid-1970s, which examined the Unemployment Insurance Act and regulations, was severely critical of the lack of rights of people at that time, and the situation has not changed . . . The objective should be to ensure that the rights of the unemployed are being protected." (Brian Krempien, Regina hearings)

The new Commission should take a critical look at these rules. Claimants should only be expected to show that they have met the basic requirements for entitlement to benefits, and if benefits are denied it should be the Commission's responsibility to show that its decision is reasonable. Moreover, the new Commission should assist claimants in marshalling the facts necessary to support their claims.

"A wrong response to questions can cost people their UI benefits" (Saskatchewan Federation of Labour, Regina hearings)

It would be easier for claimants to understand their rights and responsibilities if the regulations enumerated the basic circumstances under which claims may *not* be recognized and stated that claimants are responsible for presenting the necessary information to support their claims. That would eliminate the need for proof, in the legal sense, as a substantive element of entitlement. A claimant's only duty would then be to support a claim with prescribed information.

The Evidence Standard

The requirements to "provide evidence" or "show cause" are sometimes mysterious for a claimant unfamiliar with the program, since there is no clear indication of the nature of the evidence that is required or of what can qualify as "just cause." The notion of cause applies not only to those who voluntarily quit a job but to such circumstances as missing a filing deadline. The requirement that a claimant be engaged in job search suggests, at least implicitly, a standard of evidence to determine whether or not that requirement has been met.

"The staff don't care. They are moles living in caves with a secure job, hiding behind a mass of intricately designed Catch-22 regulations . . . They don't meet me halfway. I've got to reach all the way to them and they sit back and beat my reasoning to death with regulations, under the guise of giving me a 'fair hearing'." (Ralph Neumann, written brief)

There are other situations in which the claimant may not have sufficient information to act in his or her own best interest. The problem may be more than mere lack of information. It may be that there is no set evidence standard or objective rule, that the requirement is developed on an ad hoc basis, or is the result of a judgment based on the circumstances of each case. In cases where the decisions of the program administrators are discretionary, the claimant may be at a disadvantage. The greater the room for discretionary adjudication, the less the decisions taken by administrators are open to challenge. The new Commission should carefully identify and make explicit the standards of evidence needed to protect clients from the abuse of discretionary powers.

Recommendation

40 All rules used to deliver the Unemployment Insurance program, particularly those related to filing deadlines, onus of proof and the standard of evidence, should be evaluated. Claimants should be provided with reasonable assistance in marshalling the facts necessary to support their case.

The Balance Between Autonomy and Accountability

Under the proposed reforms, Unemployment Insurance will remain a public and compulsory social insurance program paid for by a payroll levy and subject to parliamentary control. As such, it is answerable to the public at large and to Parliament. Administrative authority may be delegated to an agency that is at arm's length from the government, but this delegation should be done in a framework that reflects and protects the public interest.

There are three broad areas where the public interest should be addressed specifically in a new Act. They are: the scope and nature of the Unemployment Insurance program; the protection of individual rights; and financial accountability.

"They don't understand the precedents that have been established to allow you to collect UI even though you have quit work: if you have been sexually harassed; if your employer requires you to do work that is illegal; etc. Most people who have quit work accept that penalty because they don't know what their rights are." (Brian Krempien, Regina hearings)

The Scope and Nature of the Unemployment Insurance Program

The frustrations of so many with regard to the complexity of the current Act demand that legislation establishing a new Unemployment Insurance program and a more autonomous Unemployment Insurance Commission should be stated in clear, simple terms. But what elements should be embodied in legislation and what should be left to the discretion of the new Commission? The purpose of the program and the mandate of the Commission should be clearly identified in the Act, but the legislation should not attempt to define every possible concern or foresee every possible problem. Rather, it must embody broad principles upon which the program is to be based. The mandate should be broad enough to enable the Commission to adjust the program to economic conditions and social trends over the years. The Commission should certainly have greater authority over the delivery of services than over the benefit structure. The principles relating to the role and nature of Unemployment Insurance and the major features of the benefit structure, discussed in Chapters 4, 7 and 8, should be embodied in the Act, but detailed rules of implementation should be left to the discretion of the Commission.

"Frequent ad hoc legislative amendments add undue complexity to the program and do not permit employers, unions nor employees to plan for the future with full knowledge of the UI program. The RAC would therefore propose that the Act provide for a formal review procedure, perhaps every five years. The Minister should be required to table such review in the House of Commons, with financial projections for the next five-year period, and recommendations to Parliament as to appropriate strategic initiatives to be undertaken by the Government over this period." (Railway Association of Canada, written brief)

The confusion, misinterpretations and conflict with other laws that have resulted from attempts to define in legislation or regulations such concepts as insurable employment are a powerful argument for restricting the Act to general principles. Rather than pursuing attempts to define insurable employment for purposes of Unemployment Insurance, it would be more in keeping with the purpose of the program – and less confusing – to refer to the concept of a contract of service. That concept embodies the notion of an employer-employee relationship, corresponds with the intended scope of the Unemployment Insurance program, and is well supported by common law jurisprudence. The new Act should neither define insurable employment nor give the Commission the power to do so, but should simply refer to the common law concept. When the implementation of that rule is considered, however, the Commission should have the power to adopt the necessary procedures, as long as the rights of the individual are duly protected.

"We feel that, within the framework of general reform of the UI Act, it is important that the Act, regulations and administration be greatly simplified." (Commission des services juridiques, Montréal hearings)

In this regard, the present division of authority between the Department of National Revenue and the Canada Employment and Immigration Commission has been the subject of much criticism. The Department of Revenue and the tax courts determine what must be considered insurable employment and what earnings must be assessed for Unemployment Insurance contributions. Contradictions in interpretation and lack of coordination between the Department of Revenue and the Canada Employment and Immigration Commission frustrate claimants, employers and staff. The new Commission should clarify responsibility and ensure accountability to remove this confusion.

Recommendation

41 The new Unemployment Insurance Act should clearly identify the objectives of the Unemployment Insurance program, its nature and scope. Specific references should be made in the Act to:

- the principles that constitute the basis for setting premium rates and benefit levels;
- the principles that determine what is unemployment under the Act (including the interruption of earnings);
- the concept of voluntary and involuntary unemployment (including availability for work);
- the principles that determine what earnings are insurable; and
- the rights and obligations of claimants, including the right to appeal.

The Protection of Individual Rights

The new Commission, even under the control of its proprietors (employers and employees) and separated from the government department, will remain a big organization with extensive powers. Because of its size and the obligatory nature of the program that it delivers, it will never entirely escape the evils of any large non-competitive bureaucracy. Individuals need protection from some of the excesses that this kind of organization can occasionally generate.

Safeguards are needed with respect to the complexity of the Act, the program and the regulatory process. Other safeguards reside in an effective appeals process and, finally, in a limitation on the Commission's powers of enforcement.

"Current UI rules and regulations appear far too complicated and costly to administer." (Government of Manitoba, Winnipeg hearings)

"UI absolutely has to be simplified. How many hours of discussion have we employers spent trying to interpret its provisions – vacations, statutory holidays, everything to do with bonus payments? It seems as if we are always getting different interpretations." (New Brunswick International Paper Forest Products Inc. – Dalhousie, Bathurst hearings)

The Need for Simplicity[8]

As expressed by Chief Justice W.R. Jackett of the Federal Court of Appeal in 1974:

> This statute is even more difficult than most modern complicated statutes, in my view, to comprehend. It is replete with special concepts created for the purpose of the statute. Its general scheme is almost completely obscured by being buried in detailed provisions.[9]

"The system seems to be set up primarily to identify potential cheaters and abusers rather than to provide a service to qualified insured participants. The words 'efficient' and 'cost effective' are out of place when dealing with people suffering the trauma of job loss." (Canadian Congress for Learning Opportunities for Women, Regina hearings)

The proposed reforms of the Unemployment Insurance program will eliminate much of the complexity in the present Act. Because simplicity should be an overriding objective for those who draft a new Act and regulations or make subsequent amendments, it merits more detailed discussion.

Employers and employees were unanimous in denouncing the current Act as impossible for jurists to understand, let alone clients and employers. It has been suggested that, although ignorance of the law is not normally a justifiable defence, it may be justifiable in relation to certain sections of the present Unemployment Insurance Act. There were frequent complaints about many requirements that are described in the Unemployment Insurance Act in the negative by means of a list of exclusions, and particularly about the definition of insurable employment by the Department of Revenue. The elements of the current program design (the variable entrance requirements and different eligibility requirements for special benefits, for example) are complex, confusing, easily misunderstood, and often lead to inequities.

"The laws themselves are too difficult to understand. Legislators devise the laws and put them in the hands of lawyers and judges, and it has come to the point today where the judges are contradicting each other." (Mathilda Blanchard, Bathurst hearings)

Simplicity is also required in the regulatory process. Briefs submitted to this Commission of Inquiry referred to the countless changes that have been made by Order in Council, and suggested that a review of regulations at regular intervals would be more reasonable. The effective and efficient delivery of the Unemployment Insurance program requires that it operate with consistency and not be subject to piecemeal adjustments.

"We recommend that an automatic review of this Act, its objectives, funding and impact be incorporated as a portion of the Act." (Winnipeg Chamber of Commerce, Winnipeg hearings)

Regulatory changes are currently effected by the Governor in Council with immediate force of law. Changes that have financial implications are subject to the prior approval of the Treasury Board, and all changes are subsequently published in the *Canada Gazette*. Few members of the public, however, read that publication. Because changes to Unemployment Insurance can affect the financial security of a large number of Canadians, it seems reasonable to make a greater effort to inform the public about draft regulations and significant policy changes.

"Major changes to the UI Act and regulations must be preceded by adequate notification to the public via the news media in an attempt to alleviate public misunderstanding or unawareness of changes in the Act and regulations when they come about." (Canada Employment and Immigration Union, Fredericton hearings)

Recommendation

42 The new Act, in delegating to the Unemployment Insurance Commission the power to issue regulations, should prescribe a manner and schedule for making these changes, so as to limit their frequency. Notice of proposed changes to regulations should be published in the media well in advance of their proposed date of implementation.

The Appeal Process

In 1985, 12,165 appeals were heard by boards of referees and 1,246 by umpires (see Figure 10.2). The appeal process was a source of frustration for many at the public hearings, more because of the structure and the process than because of the decisions handed down. Canadian law has traditionally had an appeal system that operates on two levels: the first reviews the facts of the case; the second reviews the legal procedures and interpretation. The Unemployment Insurance appeal procedure is even more complex than this (see Figure 10.3). The decision of the higher level of appeal (the umpire) is intended to clarify questions of law and to create greater consistency in the decisions reached at the first level (board of referees). In accordance with the Federal Court Act, the umpire's rulings may be further appealed to the Federal Court of Appeal and to the Supreme Court of Canada. The current process is highly adversarial, yet even at the first level the board of referees acts neither as a court nor as an ombudsman.

Boards of referees are not looked upon as true appeal boards since they are not perceived to function at arm's length from the department, do not always apply standard rules of evidence, and are chaired by persons who may lack the legal training and depth of understanding of the program that is needed. The current internal administrative review is also perceived to be inadequate in that the staff person is not separate from the regular line of authority. A revised appeal system should involve a more independent Unemployment Insurance ombudsman/adjudicator at the first level and should allow a formal appeal to a board of appeal at the second level which would operate in a judicial manner.

> "Generally speaking, the major problems appear to be the inflexibility of the system. There are many times when, as we understand it, appeal boards feel that somebody should be able to receive an exemption or an extension of a benefit of some sort, but because of the rigidity of regulations they are not permitted to do so." (Calgary Labour Council, Calgary hearings)

> "What I would really like to see is a separate administrative agency set up to take care of boards of referees so that it is not the Canada Employment and Immigration Commission. It looks like stink to have the Canada Employment and Immigration Commission taking care of boards of referees." (Unemployment Insurance Working Group, Vancouver hearings)

> "The UI system, as it now operates, tends to be unwieldy, slow and inefficient, impersonal and opaque to individuals attempting to iron out problems that may occur. We recommend that there be an ombudsman or advocate available in each area to help clients resolve problems, and that the availability of this person be made known to UI applicants." (Community College Teachers, Hamilton hearings)

Figure 10.2

Activity Volumes for Boards of Referees, Umpires and the Federal Court, 1981–85

	1981	1982	1983	1984	1985[a]
Number of appeals decided by boards of referees	16,221	16,763	17,829	17,599	12,165
Number of appeals sent to umpires	1,241	1,213	1,504	1,400	1,471
Rate of appeals sent to umpires	7.65%	7.23%	8.43%	7.95%	12.0%[b]
Number of appeals decided by umpires	1,313[c]	965	1,105	1,213	1,246
Number of appeals sent to the Federal Court[d]	57	43	60	74	74
Decisions pending from Federal Court	0	43	60	33	68

[a] To August 31, 1985.

[b] Increases to date are due to large influx of vacation pay appeals.

[c] The higher number of appeals decided than submitted reflects the previous year's backlog.

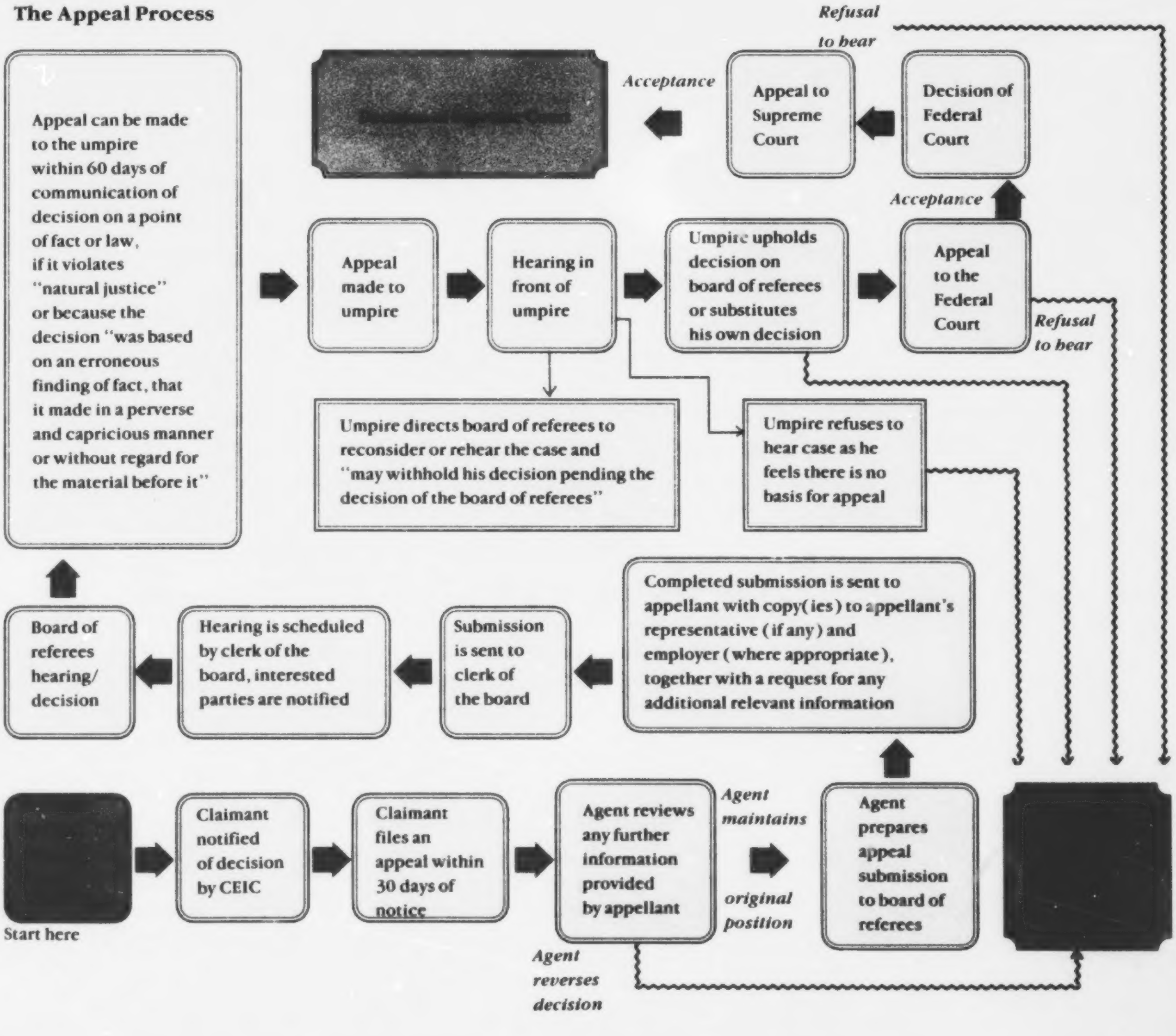
[d] Of these, the Commission initiated 26, 25, 38, and 31 cases in 1982, 1983, 1984 and 1985, respectively.

Source: Calculations prepared by the Commission of Inquiry on Unemployment Insurance.

The ombudsmen/adjudicators should operate in a non-adversarial manner. They should be under an obligation to investigate the case at issue and to return a "motivated" decision (that is, a decision accompanied by reasons) within 30 days. The process should be able to meet the scrutiny of the Federal Court. The review by the adjudicator would include consideration of the nature of the dispute between the client and the Commission and of the informal written report by the claims supervisor. It would provide the Unemployment Insurance Commission with information about policy implementation and would act as an internal monitor of the benefit-award mechanism with respect to its

"This is 1986. I am still fighting a 1984 decision. The information should have been available to me and I should have been told at the time I appealed UI's decision to disqualify me for six weeks." (Randy Overall, Vancouver hearings)

Figure 10.3
The Appeal Process


Refusal to hear
Appeal can be made to the umpire within 60 days of communication of decision on a point of fact or law, if it violates "natural justice" or because the decision "was based on an erroneous finding of fact, that it made in a perverse and capricious manner or without regard for the material before it"
Acceptance
Appeal to Supreme Court
Decision of Federal Court
Acceptance
Appeal made to umpire
Hearing in front of umpire
Umpire upholds decision on board of referees or substitutes his own decision
Appeal to the Federal Court
Refusal to hear
Umpire directs board of referees to reconsider or rehear the case and "may withhold his decision pending the decision of the board of referees"
Umpire refuses to hear case as he feels there is no basis for appeal
Completed submission is sent to appellant with copy(ies) to appellant's representative (if any) and employer (where appropriate), together with a request for any additional relevant information
Board of referees hearing/ decision
Hearing is scheduled by clerk of the board, interested parties are notified
Submission is sent to clerk of the board
Claimant notified of decision by CEIC
Claimant files an appeal within 30 days of notice
Agent reviews any further information provided by appellant
Agent maintains original position
Agent prepares appeal submission to board of referees
Start here
Agent reverses decision

"I encourage anybody to appeal everything because I find that they make a lot of mistakes and that when you appeal, somebody else in the system is taking another good look at it because it's going to go before a board of referees and boy, they don't want it to go there and make them look stupid. They take another look and a lot of people win their points." (United Steelworkers of America, Local 8995, Hamilton hearings)

conformity with legal and regulatory rules, and of the uniformity and consistency of administrative interpretation and guidelines. These changes, combined with improved claims processing and simplified legal procedures, would help to reduce the number of appeals to the more formal board of appeal.

The board of appeal should be an administrative tribunal presided over by an experienced lawyer (one deemed qualified for appointment to the judiciary, for example) and two assessors, representing the interests of employers and employees. The board would operate in an adversarial manner, abiding by rules of evidence and calling for expert opinions where necessary. Hearings could be held anywhere in Canada and appellants should be reimbursed for the cost of attending hearings that are more than 30 kilometres from their residence. It is essential that this board of appeal be empowered to review the substance of the cases, as well as the laws governing all cases. The Federal Court of Appeal would continue to fulfil the role of a superior court, controlling excess of jurisdiction, maintaining observance of the rules of natural justice, and reviewing legal interpretations.

Recommendation

43.1 The current appeal system of a board of referees and umpire should be replaced by an Unemployment Insurance ombudsman/adjudicator's review and a board of appeal.

- The responsibilities, independence and powers of the Unemployment Insurance ombudsman/adjudicator should be specified in the Act and should include the obligation to report annually on problems in implementing the Act and interpreting statutory and regulatory provisions, and to provide pursuant recommendations.
- The board of appeal should be established to hear all first-level appeals and be empowered to review the substance of all cases. It should consist of an experienced lawyer deemed qualified for appointment to the judiciary, as presiding officer, and two assessors representing the interests of employers and employees. The board should function judicially, making full use of the adversary process and abiding by the rules of evidence.
- The function of adjudication review should be clearly separate from claims processing and benefit control.

Helping Clients to Interpret the Act and Regulations

"Another function of the UIC which should be more widely undertaken is that of informing claimants of their rights and obligations before the Law." (Commission des services juridiques, Montréal hearings)

Decisions by umpires, rather than those of boards of referees, provide the key cases for precedents in Unemployment Insurance matters and are the ultimate tool for interpreting the Unemployment Insurance Act and regulations. They are collected and published in *Canadian Umpires' Benefit Decisions*, but they need to be more accessible to those involved in the appeal process, since the current Act and regulations are so complex that it is almost impossible for staff to understand, not to mention clients and employers.

Clients are currently provided with a booklet describing their right to appeal and the appeal procedure, but are not informed that they have the right to representation. Presentations on this point were made by several unemployment action centres and other non-profit groups that provide assistance to clients in their dealings with the claims and appeal process. Employers have no organizations comparable to these advocacy groups to assist them in the appeal process. Small businesses in particular suffer from the lack of information, advice and counsel.

"I can't represent my client properly if I don't have access to the information I need. If I bloody well have to make an appointment to get that information, then what the hell happened to 'free access' to information? It doesn't exist." (Kamloops Unemployment Guidance Centre, Vancouver hearings)

Recommendation

43.2 Funding should be provided to approved groups, such as unemployment action centres, to assist both employers and employees in the appeal process. These groups and claimants should have ready access to the decisions of umpires in order to prepare for the appeal process.

Limiting the Commission's Powers of Enforcement

As a public agency, the body responsible for administration of Unemployment Insurance has powers that can easily exceed those available to a private insurer. Any insurer can refuse to pay a claim that it considers irregular and can even instigate a criminal prosecution under the criminal code if there is evidence of fraud, but the Commission also has the power to enforce its rulings. Care should be taken to ensure that the Commission is not given extraordinary powers of enforcement unless a very good case can be made that they are necessary.

The present Act should be examined carefully from that perspective. Its provisions – for example, the search and seizure provisions of Sections 73 and 112 of the Act – should be consistent with the basic guarantees contained in the Canadian Charter of Rights and Freedoms. At present, if the Commission has assessed an administrative penalty against a person or company, it has the power to lay charges for criminal prosecution. It should proceed either administratively or by criminal prosecution, but not in both ways. The Act should include requirements of notice comparable to those of Section 28 of the Canada Evidence Act, to ensure that a recipient has been given the opportunity to examine documentary evidence assembled by the prosecution. Finally, Section 123 of the Act makes it an offence to violate any provision of the Act or regulation that does not otherwise create an offence. If Parliament wishes to create an offence it should do so explicitly; it should not allow new offences to be created through new regulations.

"The number one interest, which I think we share with anybody who is a recipient of the program, is its viability. A program that goes bankrupt is not going to benefit any unemployed person." (Business Council of British Columbia, Vancouver hearings)

Recommendation

44.1 The Act should narrowly define the powers of enforcement of the Commission consistent with the guarantees prescribed in the Canadian Charter of Rights and Freedoms and ensure that they are necessary to the essential purposes of the program.

Assuring Financial Accountability

Because Unemployment Insurance is a compulsory program financed by a payroll tax, the public interest requires that the autonomous Commission be financially accountable and that certain rules to that end be specifically laid down in the Act. The Unemployment Insurance Commission would administer a fund and should be required to invest surplus funds in government securities. Its borrowing powers should also be subject to appropriate restrictions. The accumulated rights and benefits of present employees should be protected as part of the transitional provisions to be provided for in the new Act. The scope of its activities should be limited to the administration of Unemployment Insurance and directly related employment services.

As already stated, the Act should spell out the major features of the benefit structures and the nature and scope of the program. This would leave the Commission with relatively little discretion to alter the benefit structure, as opposed to program delivery. The Commission should still have a degree of flexibility, however, to go together with some flexibility in setting premium rates, as will be recommended in a later section. Legislators should be careful to determine which of the several features of the benefit structure could be modified by the Commission and within what statutory limits.

Recommendation

44.2 The Act should ensure normal standards of accountability to Parliament for the new Unemployment Insurance Commission. Specific references should be made in the Act to:

- the permissible scope of its activities;
- the exercise of its power to borrow to finance a deficit in its fund;
- the investment of surplus funds in government securities;
- the accumulated rights and benefits of present employees; and
- the manner in which its power to set premium rates and vary designated features of the benefit structure should be exercised.

Financing the Program

What the Program Costs and Who Pays

Revenue requirements for the current Unemployment Insurance system are determined by the benefit payments and associated administrative costs. In the 1985 calendar year, total costs to the Unemployment Insurance Account amounted to about $11.5 billion. Approximately $8.5 billion were funded through premiums paid by employees and employers, and the remaining $3 billion were paid by taxpayers. (All costs exclude the cost of the Immigration program.) Figure 10.4 gives a detailed view of the Unemployment Insurance Account from 1979 to 1985. The sharing of funding by employees, employers and the government sets the Canadian Unemployment Insurance program apart from that of most other countries.

Within the Unemployment Insurance program, general revenues of the federal government pay for:

- regionally extended benefits;
- benefits for self-employed fishermen that are in excess of the premiums these fishermen pay; and
- extended benefits for those undertaking approved training or participating in approved work-sharing or job creation projects.

Employer and employee premiums cover the cost of the remaining Unemployment Insurance elements:

- initial and labour force extended benefits;
- sickness and maternity benefits, and the three-week retirement benefit;
- regular work-sharing benefits;
- costs of the National Employment Service; and
- all costs of administration of the Act and of the Unemployment Insurance program.

Other departmental programs – for example, the Canadian Jobs Strategy and Strategic Planning – are paid for by the federal government from general tax revenues.

The allocation of financial responsibility for Unemployment Insurance and the premium schedules are determined by statute. Specifically, Section 62 of the Unemployment Insurance Act provides for the setting of premium rates sufficient to cover the employer-employee costs determined for that year, adjusted to reduce or eliminate any surplus or deficit expected by the end of that year. Section 63 provides a specific definition of employer-employee costs, as well as a prescription for determining the maximum or minimum premium rate (the statutory premium rate) that can be set for any year in the event of an expected surplus or deficit in the Unemployment Insurance Account.

"The reason why you are in a deficit state at the present moment is because of the slipping-in of some of the programs which has taken place over the years, programs which were never intended to come from the employee-employer contributions." (British Columbia Chamber of Commerce, Vancouver hearings)

"Government's role in financing the program is diminishing. Employers and workers are seeing their contributions getting bigger. A part of UI, however, is very closely related to certain government policies. A better equilibrium must be reached between what workers pay, what employers pay and what government pays." (Conseil du patronat du Québec, Montréal hearings)

"On the question of finance, the proposal has been made to harmonize federal and provincial budgets and, consequently, everything regarding employment policies. In other words, when skills training is proposed as a top-priority item, a first-priority service, to unemployed workers who are recognized as having permanently lost their jobs, referrals are not restricted to the UI Account, but current programs in other divisions and other branches of the CEIC are considered as well. This would extend to training budgets that are to be found in different departments. In other words, the financing of different proposals, especially skills training, shouldn't be limited to the UI Account." (Centrale des syndicats démocratiques, Montréal hearings)

Figure 10.4

Historical Review of the Financial Experience under the Unemployment Insurance Account, 1979–85

(millions of dollars)

		1979	1980	1981	1982	1983	1984	1985
Unemployment rate		7.4%	7.5%	7.5%	11.0%	11.9%	11.3%	10.5%
Program costs	Regular benefits:							
	Initial	2,322	2,737	2,955	5,427	5,618	5,526	5,616
	Labour extended	233	272	304	616	927	725	734
	Regionally extended	876	739	856	1,601	2,522	2,572	2,623
		3,431	3,748	4,115	7,644	9,067	8,823	8,973
	Developmental uses:							
	Work sharing	0.2	0	0	83	83	32	25
	Job creation	1	0.5	0	24	107	115	133
	Training	138	157	165	202	226	227	234
		139	157	165	309	416	374	392
	Special benefits:							
	Sickness	146	156	165	176	181	207	223
	Maternity	208	235	273	316	344	396	433
	Adoption	N/A	N/A	N/A	N/A	N/A	3	4
	Retirement	15	16	18	18	19	19	22
		369	406	456	510	544	625	682
	Fishermen's benefits	71	83	92	112	142	163	179
	Gross benefits	4,009	4,394	4,828	8,575	10,169	9,986	10,227
	Overpayments and cancelled warrants	–35	–32	–35	–43	–60	–64	–70
	Benefit repayments	–27	–30	–36	–78	–46	–62	–39
	Net benefits	3,947	4,332	4,757	8,455	10,063	9,859	10,118
Non-program costs:	Administration	267	490	639	772	818	898	902
	Bad debts	7	5	4	–12	5	11	12
	Net interest	–25	–12	–26	89	409	453	522
	Penalties, Section 47	–4	–4	–4	–6	–10	–12	–14
	Total costs	4,192	4,811	5,371	9,297	11,285	11,209	11,540
	Government costs[a]	1,295	1,037	1,001	1,784	2,822	2,902	2,974
	Employer/employee costs	2,897	3,774	4,369	7,513	8,463	8,307	8,566
Revenue	Employer/employee premiums	2,812	3,125	4,716	4,793	7,017	7,627	8,753
	Fishermen's premiums	–6	–7	–10	–9	–12	–12	–12
	Net revenue	2,806	3,118	4,707	4,784	7,005	7,615	8,740
	Annual surplus or deficit	–91	–656	337	–2,728	–1,457	–692	174
	Cumulative surplus or deficit at calendar year-end	650	–6	331	–2,397	–3,854	–4,546	–4,371

[a] Before deducting fishermen's premiums.

Note: Totals may not add due to rounding.

Source: CEIC internal data, provided by Canada Employment and Immigration Commission.

Since 1971, employers pay 58.3 percent of the costs of Unemployment Insurance for the private sector, and employees pay the remaining 41.7 percent (employer contributions are 40 percent greater than employee contributions). Schedules of premiums are adjusted annually to ensure that sufficient revenues are collected to enable the Unemployment Insurance Account to break even, at least in the long run. The Unemployment Insurance Account has, in fact, not always broken even (see Figure 10.5).

After several years of deficits, there was a surplus of $174 million in the Unemployment Insurance Account for 1985, which reduced the cumulative deficit to $4.4 billion. The improvement is largely attributable to increases in premium revenue. In 1986, with net premium revenue expected to reach $9.4 billion, the annual surplus could reach $787 million, reducing the cumulative deficit to about $3.6 billion by the end of 1986.[10]

Both employee and employer premiums are based on weekly earnings and are tax deductible. In 1986, these rates were $2.35 per $100 of weekly earnings for employees and $3.29 per $100 for employers. Earnings in excess of a ceiling amount ($495 per week in 1986) are not subject to premiums.

"We support the gradual elimination of the accumulated deficit in the UI Account over a five- to ten-year period; and the stabilization of premium rates through the adoption of a cap on deficit or surplus amounts; and the establishment of a threshold unemployment level above which the government gives financial assistance to the fund." (Canadian Bankers' Association, written brief)

"The tripartite system of UI financing should continue, based on the premise that government has considerable control over unemployment. Employees should contribute because they are the direct beneficiaries of the program. Employers should bear some portion of the financing burden because they are members of Canadian society, and not because they carry some responsibility for unemployment." (St. John's Board of Trade, written brief)

Figure 10.5

The Unemployment Insurance Account, 1972–85

(millions of dollars)

	Employee premium rate	Net premium revenue	Employer/ employee share of program costs	Surplus or deficit for that year	Cumulative surplus/deficit at year-end
1972	0.90%	723	1,111	−388	−152[a]
1973	1.00%	893	1,243	−350	−502
1974	1.40%	1,515	1,430	85	−418
1975	1.40%	1,949	1,627	321	−97
1976	1.65%	2,473	2,172	301	204
1977	1.50%	2,547	2,336	210	414
1978	1.50%	2,834	2,507	327	741
1979	1.35%	2,806	2,897	−91	650
1980	1.35%	3,118	3,774	−656	−6
1981	1.80%	4,707	4,369	337	331
1982	1.65%	4,784	7,513	−2,728	−2,397
1983	2.30%	7,006	8,463	−1,457	−3,854
1984	2.30%	7,615	8,307	−692	−4,546
1985	2.35%	8,740	8,566	174	−4,371

[a] Cumulative surplus at 1971 year-end was $236 million.

Source: Internal data provided by Canada Employment and Immigration Commission.

"All other job creation programs – subsidizations, grants, work sharing, Section 38, etc., plus training programs – should be financed in other ways and not from the UI Account." (Unemployment Help Centre, Kingston, Ottawa hearings)

Reductions in premium rates are allowed to employers with registered wage-loss replacement plans that provide sick pay to employees. These reductions usually amount to about 10 percent of total employer premiums. Employers are required to rebate to their employees 5/12 of any premium reduction that they receive. That provision is intended to retain, at least in principle, the 1.4:1 premium allocation.

"Our members who are working – and we believe other union members and employees in this province – are prepared to pay higher premiums, on the assumption that employers would be paying higher premiums as well." (College-Institute Educators' Association of British Columbia, Vancouver hearings)

Premium schedules are uniform across all industries. No attempt has been made to tie the amount of premiums to unemployment experiences, as is done in the United States. As discussed in Chapter 4, there is wide variation for both industries and provinces or territories in the ratio of benefit costs to premiums paid. In such industries as construction and forestry, Unemployment Insurance claims regularly amount to two or even three times the level of premiums paid, whereas in more stable industries such as public services, finance or real estate, far more is paid in premiums than is received in benefits.

This brief sketch of how Unemployment Insurance is financed raises a number of important policy questions.

- What is the role of premiums and government funding in the Unemployment Insurance program?
- Is the current premium allocation between employees and employers appropriate?
- How should premium rates be determined?

The Role of Government in Unemployment Insurance Financing

"There are an awful lot of social conscience types of benefits attached to UI now. I am not arguing the legitimacy of that. I am arguing the methodology of funding it. If, in fact, the social conscience is the will of the people of Canada, reflected through their elected representatives, then the people of Canada broadly should pay, not solely employees and employers." (Regina Chamber of Commerce, Regina hearings)

The role of premium funding is to finance only those components of the program that are essential to operating an effective insurance service. The current use of government funding for regionally extended benefits, fishing benefits and various labour market programs is in keeping with the larger responsibility of society for those aspects of unemployment that are beyond the control of employers or employees and that reflect the results of economic and social policies, international trade, and other policies.

It is sometimes said that Unemployment Insurance helps to stabilize the economy, because in a recession total benefits increase and premium income remains stable or falls, and the opposite occurs when the economy recovers. That counter-cyclical impact, however, depends entirely on how the government chooses to finance the Unemployment Insurance deficit. Unemployment Insurance can provide the opportunity for stabilization, but so can well-timed public works.

"When you start mixing contributions with general revenue, you start mixing the support function with the stabilization objective. It's a nightmare. You can do it, but I think you end up with the kind of nightmare that you have with the pensioners." (Canadian Council on Social Development, Ottawa hearings)

The entire population is affected by unemployment and, correspondingly, the entire population would benefit from successful efforts to reduce unemployment. Unemployment Insurance by itself, however, does not diminish the total cost of unemployment to society. It redistributes more equitably the loss of earnings experienced by those who are unemployed, and spreads it among all employed members of the labour force. In other words, the only beneficiaries of Unemployment Insurance are those who, as paid employees, are in a position to receive benefits if they should become unemployed. Other members of society benefit only to the extent of their association with an insured employee (in the same household or community, for example). Unemployment Insurance is a means of pooling the risks of the financial loss arising from unemployment. It is therefore appropriate that the program be financed by those sharing in that pool. Financing from general government revenue instead of by premiums would force some taxpayers, such as retired persons, to contribute through their taxes although they do not share in the risk and could never benefit.

If Unemployment Insurance is fundamentally a program of insurance against the loss of wage income, the benefits are not a "public good" but the right only of those who are insured. It also follows that the cost of benefits to individuals and the related administrative costs should not be borne by the public purse but entirely by those who are eligible to receive benefits. Financing the program through levies on employers and employees is consistent with the premise that those who are insured should pay the premiums necessary to cover the costs. This method reflects the underlying principle of social insurance by pooling risks of all employees in a common fund financed by all on an equal basis. Furthermore, if the program is financed entirely by premiums, it is possible, as well as desirable, to have a largely autonomous agency delivering the program.

"Primarily insurance elements of the program ought to be paid for through premiums. The more social elements of the program should be funded from general revenue in a more specific way." (Greater Moncton Chamber of Commerce, Moncton hearings)

"An insurance fund should be used only for insurance purposes." (Manitoba Federation of Labour, Winnipeg hearings)

Recommendation

45 The reformed Unemployment Insurance program should be financed entirely by premiums. Human resource development programs, earnings supplementation and other labour market programs should be delivered separately from the Unemployment Insurance program and should be financed from general government revenue.

Premium Allocation Between Employees and Employers

"We think it would be acceptable to raise employees' premiums to a level equal with that of employers." (Action chômage Kamouraska inc., Québec hearings)

Before 1971, premiums were allocated between employees and employers on a 50:50 basis. The current allocation was adopted, at least in part, on the basis that workers have less control over unemployment than employers, can less afford its costs, and that when unemployed they bear the full cost of the waiting period before benefits begin.

"When I am working I'll pay $30 a week Unemployment Insurance premiums. I'll pay $120 a month, as long as I know it's there when I am unemployed. And as long as I know it's there, there is no stigma attached to being unemployed." (Norman Wilkinson, Vancouver hearings)

In terms of economic theory, the allocation of premiums between employers and employees is generally believed to be unimportant and statutory rules on how this total premium cost is allocated have no necessary impact on who ultimately "pays" this cost. Depending on circumstances, the total amount may result in a reduction of income to employees, to employers, and/or to a firm's customers. The mode of allocation serves other purposes, however, which are more psychological than financial. It reminds employers and employees that the Unemployment Insurance system, though indispensable, has a cost, and that each group has a stake in it. There is a certain advantage to an equal allocation because it underlines the equal importance each group has in determining administrative policies. Many presentations at the public hearings called for a return to 50:50 financing. Consistent with the proposal that all benefits be charged to the Unemployment Insurance Account, an equalization of employers' and employees' shares would appear warranted and fair. This equalization should be phased in over a period of years by alternately adjusting employer and employee premiums.

Recommendation

46.1 Unemployment Insurance should gradually move toward allocating premiums to employers and employees on a 50:50 basis.

"According to our proposal, the premium for each company would be established based on: value added, payroll, plus social benefits." (Confédération des syndicats nationaux (CSN), written brief)

The proposal to move to a federal transactions or value-added tax, which is currently under consideration, has implications for the mode of allocating premiums because under that system employers' premiums could be assessed on the basis of value added rather than total insurable payroll. This would be an advantage because payroll taxes tend to increase the cost of labour relative to that of capital, whereas taxes based on value added are more neutral. In addition, if a new federal valued-added tax were introduced, administrative costs to employers might be reduced if the same base were used for both purposes.

Recommendation

46.2 The calculation of the employer's share of Unemployment Insurance premiums should be reviewed if a value-added tax is introduced.

Premium Rate Setting

In setting premium rates it is important to examine approaches which contribute to the function of Unemployment Insurance in stabilizing demand – for example, the need to avoid a sudden increase in premiums in times of increasing unemployment, or to raise rates too much during the initial years of recovery. The premium rate is currently set on a three-year moving average of costs and insured earnings. If the rate were formulated on a moving average covering more years (five to eight years, for example), it would have a greater stabilizing impact. Since economic cycles are irregular, however, averaging formulas prescribed by legislation are seldom in tune with reality. It is therefore appropriate to let the new Unemployment Insurance Commission deal with the situation as it presents itself.

Recommendation

47 The proposed Unemployment Insurance Commission should be given the power to alter benefit or premium levels within given parameters defined in the new Act.

Bankruptcy Act

The 1986 Report of the Advisory Committee on Bankruptcy and Insolvency,[11] in its consideration of wage-earner protection, recommended the establishment of a fund to protect the interests of employees in the event of bankruptcy. It also recommended that premiums (in the order of 4 or 5 cents per $100) be collected and that the fund be administered by the Unemployment Insurance Commission. The proposal that premiums be collected is reasonable, but this Commission of Inquiry does not believe that the new program should be administered along with Unemployment Insurance.

Administrative Procedures and Organizational Structures

Functions and Responsibilities

An examination of the functions and responsibilities of the new, autonomous Unemployment Insurance Commission must, of necessity, include the relationship of Unemployment Insurance to job placement services (the labour exchange), counselling and vocational assessment. These services are offered by Employment Services in the Canada Employment and Immigration Commission and are wholly funded by Unemployment Insurance premiums. Historically, employment services and Unemployment Insurance have had an off-and-on relationship, rather like a marriage, divorce and remarriage.

Employment services are offered to the public by way of an extensive network of 460 Canada Employment Centres, 25 specialized offices, 187 itinerant points of service, and over 100 centres located on campus. Some 3,900 person-years are directly allocated to the services of registration, placement, counselling, and employer market development. In 1984/85, 4,936,800 persons were registered for employment at these offices, there were more than 3.5 million referrals for employment, and 1,195,700 workers were placed in employment.[12] At first glance these are impressive statistics. Historical analysis, however, such as that undertaken by the Nielsen Task Force, indicates a relative decline in terms of both registrations and placements.

> CEC penetration in private sector placement has declined from approximately 20 per cent in the 1960's to close to 10 per cent today. In 1961, the National Employment Service achieved over 1,000,000 placements, primarily in the private sector. In 1983/84, of the 700,000 placements recorded (in a labour market 2.5 times larger than in 1961) 185,000 were made by CEC's for students, over 200,000 were made on federally funded programs (job creation and industrial training) where employers were obligated to hire through the CEC, and 35,000 were with the federal public service through an exclusive hiring arrangement with the Public Service Commission. This suggests that fewer than 200,000 regular private sector placements were made by CEC's in 1983/84.[13]

The briefs submitted echoed the widespread and pervasive negative public perception of employment services noted by the Nielsen Task Force.

The 1981 report of the Task Force on Labour Market Development in the 1980s (Dodge Report) made a number of recommendations for improving employment services through greater selectivity and better targetting of programs, and through increased automation.[14] The Nielsen Task Force found little evidence of a commitment to implement these recommendations or to enact other reforms to improve the quality of service and to increase its cost effectiveness. Addressing the lack of significant progress, the Nielsen Task Force proposed the following:

> If after two years the quality of the [CEC] placement service has not demonstrated significant improvement, the government should eliminate the placement service at that time.[15]

"We envision the UIC offices as being a place where individuals could go to acquire assistance in filling a resumé, obtain information on job vacancies and opportunities for improving their skills, either through training programs or educational facilities, or addressing other concerns that relate to their unemployment. We have to develop an agency that indicates to individuals that it is concerned with their problems and wants to get involved in assuring their re-employment." (United Steelworkers of America, Local 6500, Sudbury hearings)

"We are very critical with respect to government and private placement services . . . There is a costly splitting up of services that perhaps adds to the inefficiency of the placement services in general." (Fédération des travailleurs et travailleuses du Québec, Ottawa hearings)

"We do utilize the Canada Employment Centre. As indicated previously, they do serve the purpose for certain specific positions that are, for the most part, not highly technical or highly professional. One of the difficulties that the Canada Employment Centre has is understanding the various and unique requirements of every organization and industry that they try to cater to." (Calgary Personnel Association, Calgary hearings)

"It is my understanding that the UIC acquires employment opportunities for only 10–15 percent of those actively seeking employment, and if this is an accurate statement, it is a shameful situation." (United Steelworkers of America, Local 6500, Sudbury hearings)

It would be unjust to imply that *all* the employment-related programs offered by Canada Employment Centres are ineffective. Many play an important role in assisting particularly disadvantaged clients to prepare for and obtain suitable and stable jobs. The current "revitalization" project is addressing the issues raised by the Nielsen Task Force, but reforms are proceeding too slowly.

"A major philosophical change is required to convert the CEIC into an efficient and aggressive employment agency. This employment agency function should be coupled with the job search responsibilities of the individual claimant to find employment." (Building and Construction Trades Department AFL/CIO, written brief)

There is no agreement among the Commissioners of this Inquiry on the assessment of employment services. Some believe that the job placement service is ineffective and should simply be eliminated. Others think it serves a useful function in helping individuals who have minimal skills, and in serving small businesses that lack personnel departments. There is, however, agreement that unemployed workers should go to one office for all their services and that this office should provide information regarding the processing of Unemployment Insurance claims and provide assessment and counselling services. It appears to be reasonable to integrate the job-listing and referral system with these services. Canada Employment Centres should continue to have as their objective to find people for jobs and jobs for people, and failing this, to provide temporary financial support where necessary.

These services should be available to all the unemployed, not just to Unemployment Insurance recipients. The vast majority of the unemployed have paid Unemployment Insurance premiums at some time and will again, so it is appropriate to continue to fund these services through premiums. Furthermore, because training, employment equity, mobility, and job creation are closely related to these other services, they should be co-located. Thus the federal department that delivers the Canadian Jobs Strategy and other labour market programs should share offices with the new Unemployment Insurance Commission wherever possible.

"A decentralization of the program would humanize the offices and would make the work of the staff officers easier, with the result that claimants would feel less that they were the target of a negative image often conveyed by public opinion." (Commission des services juridiques, Montréal hearings)

Recommendation

48 The new Unemployment Insurance Commission should continue to assume responsibility for employment services (including job placement, assessment and counselling services) for all of those who are unemployed, including those who are not receiving Unemployment Insurance benefits. An evaluation of the placement services should be undertaken and this function should either be revitalized and refocussed or be cancelled.

Continuous government reorganizations are admittedly disruptive to clients and staff. While the separation of the Commission and the Department into two units is an essential and fundamental change, the dislocation and potential problems of lack of communication or duplication of services should be minimized.

Recommendation

49 Staff of the new Unemployment Insurance Commission and the federal department delivering other human resource development programs should be co-located in the existing network of Canada Employment Centres.

Personnel

The sheer size of the headquarters and regional offices was the subject of considerable criticism across the country. The Commission itself was perceived to be too large. The figures on numbers of staff vary according to the source of the information. According to the 1985 report of the Public Service Commission, the Canada Employment and Immigration Commission had 24,446 full-time employees (representing 11 percent of the Public Service). It was the third largest federal organization, exceeded only by the departments of Revenue with 12.1 percent and Defence with 15.2 percent.[16] A review of the number of employees on staff on January 31, 1986 showed that there were 22,238 employees in permanent positions and 5,773 in temporary positions, for a total of 28,011 staff on that date (see Figure 10.6).

The size and levels of the headquarters staff were perceived to be out of proportion to the kind and value of the services that it performs. On January 31, 1986, there were 2,714 staff in national headquarters and 25,297 staff in the regions. Headquarters thus represented 10 percent of total personnel. About 7 percent of the total personnel served in a staff capacity (those in administration, finance, communications, personnel, and specialist positions). Management positions, including senior management positions and those in the program manager classification at the PM3 level and above, represented approximately 14 percent of the total personnel resources (see Figure 10.7). Within the program manager class, 33 percent were at a supervisory level. These figures suggest that there may be more staff than warranted in highly paid specialist and supervisory roles.

The span of control of the Deputy Minister/Chairman was viewed as unreasonable. According to the organizational chart (Figure 10.1), 22 senior officers report directly to the Deputy Minister.

There was concern about Employment and Immigration duplicating services provided by other government departments. The services for employment equity, for example, were generally perceived as duplicat-

"[We propose] decentralizing program administration to ensure greater effectiveness; encouraging better coordination and communication than currently exists between regional offices administering the Unemployment Insurance program; reducing the number of existing Unemployment Insurance administrative regions to a more manageable number; and simplifying the three-phase benefit structure by reducing it to a single phase." (Government of Alberta, written brief)

"It is well known that the administrative structure of the UIC is pretty heavy. We demand that it be reduced at the bureaucratic level; that there be [better] communication with claimants so that unemployed workers receive their indemnity within a reasonable time; and that they cease being considered simply as numbers, as is often the case now." (Office diocésain de pastorale ouvrière et sociale, Montréal hearings)

Figure 10.6

Composition of CEIC Staff, January 31, 1986

	Number of staff
National headquarters	2,714
Regional and field offices	25,297
	28,011
Permanent positions	22,238
Term positions	5,773
	28,011

Source: List of staff and classifications supplied by the Canada Employment and Immigration Commission to Arthur Andersen & Co., January 31, 1986 ing the role and functions of provincial human rights staff and the federal Human Rights Commission.

The proportion of temporary staff used and the overtime requirements of current staff were seen as significant problems. Overtime apparently accounts for approximately 5 percent of Unemployment Insurance staffing and temporary employees constitute from 15 to 18 percent of the work force. Temporary employees give management the flexibility to handle short-term fluctuations in workload without hiring permanent employees. Substantial training, however, is required to make employees fully productive in insurance agent positions. In order to avoid duplication of the training time, the same temporary employees are hired year after year.

The overlap of functions and responsibilities for program planning, monitoring and evaluation was criticized. At both the headquarters and the regional office level, a picture was painted of overly controlled and managed staff, and of a system that serves itself rather than clients. All in all, it would appear that a significant reduction in the number of staff at the headquarters and regional offices of both the Commission and Department is warranted.

"The members of my union who are employed in the Canada Employment Centres are always, and remain totally, cognizant of the fact that they would like to be able to serve their public better. They would like to be able to process the Unemployment Insurance claims in a timely manner. But human resources in the offices have been reduced to the point that that is becoming impossible. There are huge backlogs of claims in almost every CEC. Overtime is being worked in an excessive amount to try to get these claims processed, but people can only do so much." (Canada Employment and Immigration Union, Regina hearings)

Recommendation

50 A significant reduction should be made in the number of staff at national and regional headquarters.

Figure 10.7

Numbers of Canada Employment and Immigration Commission Staff on January 31, 1986 by functions

Group		Number	Percentage of total
Clerical and Secretarial		13,941	50%
Administration and General Service		1,192	3%
Finance		270	1%
Data Processing and Computer		664	2%
Communication and Information		159	1%
Personnel		244	1%
Specialists		484	2%
Program Delivery	Program Managers 1–2	7,253	
	Program Managers 3–7 (supervisory)	3,590	
		10,843	39%
Senior Management		214	1%
Total		28,011	101%[a]

[a] Numbers do not total 100 percent due to rounding.

Source: Unpublished list of personnel by classifications provided by the Canada Employment and Immigration Commission.

Performance Problems

An international consulting company undertook a study of the Unemployment Insurance program administration for this Commission of Inquiry. As part of that review, they compared the Canadian program with those of California and New York State.[17] Their findings indicated that Canada has significantly poorer results with respect to the productivity of the claims-processing function. They reported, for example, that Canada processes over three times as many claims as New York yet requires approximately five times the budget and staff to operate its Unemployment Insurance program. The geographic concentration of population would be expected to provide some economies of scale in California and New York, but the major difference in relative staffing levels is not fully explained by these factors. It appears that the Canadian Unemployment Insurance operation is far more labour intensive than its comparable American counterparts.

"The claims should be expedited. Now we have people waiting for up to two months even to get cards to start sending in." (Port Alberni and District Labour Council, Victoria hearings)

"I think it is unfair to have to wait for six to eight weeks before you receive any funds. I don't know what the government expects you to do in the meantime if you have to wait that long after working for two or five years in a row in one place. You cannot tell your creditors, 'I'm waiting on UI', because they don't care." (James Earl Jefferson, London hearings)

Much of the administration of claims involves processes that lend themselves to a high degree of standardization and computerization. Adopting these measures and making them hands-on for front-line officers would save time. At present computers do not seem to be used as an effective aid to the decision-making capacity of agents. As noted in a later section on investigation and control, it is estimated that 20 percent of incorrect payments are the result of clerical errors (representing a cost of $67 million) and 15 percent are the result of incorrect decisions on the part of agents (representing a cost of $52 million). Further automation of the claims-processing function could substantially reduce these costs. In addition, control would be improved by the use of automated validation and error-checking routines. The initial processing of non-contentious claims could probably be further automated and, along with the simplified qualification criteria proposed, the changes would enable benefit officers to determine appropriate benefits immediately. Discretionary decisions about benefits would thus be largely eliminated.

"When the Commission makes mistakes of sending the client too much money (too many cheques), why is the client penalized by having money deducted from future cheques as overpayment? Overpayments should not be deducted in one lump sum unless the person has agreed to this. At present, it is the opposite, with overpayment being deducted in lump sums unless the person indicates otherwise." (Corporation of the City of North Bay, Department of Social Services, Sudbury hearings)

As well, the use of electronic funds transfer should be evaluated. This would permit clients' cheques to be deposited automatically in their bank accounts and would provide faster, more consistent payments of claims, while eliminating some paperwork for staff.

The Record of Employment

The Record of Employment supplied by the employer is the source of information required to determine the appropriate benefit rate and benefit period for a claimant. Errors on this form are the main cause of over- and underpayments of benefits and of delays in determining eligibility and processing the claimant's first benefit cheque.

There are two possible solutions to this problem:

- simplifying the Record of Employment while retaining a wage *request* system such as the current Canadian system; or
- eliminating the Record of Employment entirely and relying on a wage *record* system for reporting employment history, such as that used in California.

"The Record of Employment is a very difficult form, and the employers don't understand it. The department has set about conducting employer seminars to help them understand the form, and I think what they have done is help to confuse it further, because it still doesn't seem to do any good. Ninety percent of the Records of Employment that come in to almost all CECs have to be checked up on, and generally there have to be one or two phone calls made to the employer to get something straightened out." (Canada Employment and Immigration Union, written brief)

The Record of Employment is part of a wage request system in which a claim is initiated by a special form that the employer is requested to submit. The form asks for historical data on employment and wages. A wage record system is one in which wage information about all employees is regularly provided by employers on a monthly or quarterly basis. Thus, the information is already on record and is easily available to the Unemployment Insurance officer. Termination of employment simply triggers access to the existing data base on the claimant.

"The hidden costs to the employer to administer the program should not be overlooked. These include time-consuming processes such as: preparation of Record of Employment forms and their replacement when lost; insurance of forms for UI sickness benefits; completion of Form 2656 (Benefit Control); UI garnishees; correct appearances; hiring reports; telephone inquiries; multiple RCT tax numbers, remittances and T4-T4R reporting as a result of UI premium reduction." (Canadian Shipbuilding and Ship Repairing Association, Ottawa hearings)

Simplifying the Current Process

The first option in simplifying the procedure related to the Record of Employment is based on the automation of front-end processing. Under the proposed Annualization system, only two pieces of information are needed: the total number of hours worked and the premiums paid, calculated using the employer's pay period.

The employer submits premiums to the Department of National Revenue on a monthly basis with respect to all his employees. Once a year, employers must reconcile the amount submitted to Revenue with the amount deducted from the employee's remuneration (on the T4 form submitted in April). The premium paid each month is calculated with the use of a standard table which takes the maximum insurable earnings into account. Once the premiums paid and the pay period are known, eligible benefits can be computed. Minimum insurable earnings are not an issue, since all employment earnings for which premiums are paid are insurable.

"Completing a record of employment is a nightmare for any small business. The follow-up and the requests for further information from CEIC offices have more than doubled recently. The cost of administering the system keeps increasing. Let's turn to simpler computerized input data." (Sudbury and District Chamber of Commerce, Sudbury hearings)

Thus, under Annualization, the Record of Employment would require the employer to record the amount of the premiums submitted by pay period for the previous 52 weeks, as well as the number of hours worked. The rest of the calculations would be made by the Commission's computer.

Converting to a Wage Record System

The option of converting to a wage record system would require all employers to submit payroll data on wages earned and hours worked on a regular monthly or quarterly basis, at the same time that they submit Unemployment Insurance premiums. Data would identify the amount earned by each worker in each pay period in the time specified, plus the beginning and end dates of the period. The computer would calculate benefits using maximum insurable earnings, qualifying time and premiums paid on a rolling 12-month basis. Employers now send in total Unemployment Insurance contributions on a monthly basis but do not indicate which employees are covered. The wage report system requires employers to report by individual employees, not just by total amount.

"The administration of this program would fall to the Unemployment Insurance Commission. Recipients should be required to file quarterly statements of income. Overpayments could be collected through the income tax system, or through reducing subsequent benefit payments under the program." (William M. Mercer Limited, written brief)

The information would be in the computer and would be directly accessible to the Commission for processing claims. Mechanisms could be established to investigate and correct disputes or errors. Since the information needed to calculate benefits would be available on a routine, ongoing basis, employers would only have to add the information

"Is this a temporary layoff? Yes. What do we pay him and when? We paid him vacation; he had two weeks in advance. Is that insurable? Maybe. Is there a statutory holiday? Yes. Is that insurable? Perhaps. When? Well, I'll put it this way: if the standard vacation falls within a normal week, as ascribed by the Act, a normal week being Saturday and Sunday, whatever, and it has been assured, therefore, it can be used for a topping-up position, provided it is a permanent layoff and not a temporary layoff . . . So you get into this great morass of saying, 'Now wait a minute, guys. Do you have to have a pink suit on with a blue shoe and a red shoe facing the east at 6 o'clock at night to collect your UI?' This is where we are at right now." (Canadian Payroll Association, Toronto hearings)

confirming the worker's separation. Preliminary determination of the benefit level could be made when the client applies for benefits, and fewer client queries would result.

This system would ensure greater accuracy, in that it could easily be integrated on all automated payroll systems. The reduction in labour required to locate and correct errors, as well as any resultant over- and underpayments, would reduce administrative costs for employers and for the Commission, with fewer delays and more accurate benefit payments. Error-detection systems could be integrated to increase control of incorrect payments, and a post-audit could be done on all clients to ensure that their claim was discontinued the week they resumed working. Small businesses could use a telephone reporting system. Employers without automated payroll systems would probably have greater administrative costs, because they would need to list individual employees when submitting their premiums.

For clients, a wage record system would mean that applications for benefit could be processed more quickly. In addition, clients could be given a preliminary estimate of their benefits when they apply for Unemployment Insurance. The major problems with a wage record system are the increased administrative workload for employers without automated payroll systems and the delay due to the need to update the data base with the claimant's most recent earnings.

Recommendation

51 The Unemployment Insurance Commission should investigate the use of a simplified wage request or wage record system to replace the current Record of Employment system.

Benefit Control

There were 1.1 million "investigations" in 1984 – a year when there were 3.5 million claims. These investigations were essentially a quick clerical verification, and roughly one-third of them resulted in the identification of an overpayment. Seventy-five percent of these investigations are currently automated. The return on investigation and control is approximately three dollars for every dollar invested. Mechanized systems for investigation purposes provide a ten-to-one payback ratio.

"In 1983–84 only about 3 out of every 100 claimants were penalized under Section 47 of the Act for providing false or misleading information, and only about 2 out of every 1,000 claimants were successfully prosecuted for defrauding the program. In 1983, when the unemployment rate peaked at 11.9 percent, 2 out 3 UI claimants ended their claim without exhausting it." (Canadian Labour Congress, written brief)

Currently an automated comprehensive tracking system monitors the magnitude and causes of over- and underpayments. This system identified the value of incorrect benefit payments paid from July 1984 to June 1985 as $341 million, or 3.3 percent of the total of $10.3 billion, but, as it uses the Canada Employment and Immigration Commission figures, it may understate the problem. The comprehensive tracking system divides this total into categories, as shown in Figure 10.8.

Current comprehensive tracking systems are designed more to determine the probability of fraud than to identify individual cases. The difficulty with benefit control is compounded by the relative ease of access to Social Insurance Numbers and Employer Numbers. As was recently demonstrated by a case of fraud prosecuted in Quebec involving over $800,000, a systematic application of controls is essential.[18] It should incorporate methods to recover overpayments, cross-check Department of Revenue files, and audit employer files without harassing the client.

The Canada Employment and Immigration Commission solicits employers for a voluntary program to report new hirings. These reports are cross-matched with the files of claimants to identify over- and underpayments. In addition, the Record of Employment submitted by the claimant is matched by computer with a copy of the Record of Employment sent directly from the employer.

The potential benefits of cross-matching files from clients with those of other government bodies are significant but must be considered in the light of the Privacy Act. Other countries have benefitted from a greater sharing of information. The Internal Revenue Service of the United States, for example, is launching a program involving cooperation with state and local officials in identifying those who abuse the welfare system. One possible way to handle the access-to-information problem is to require a written consent from clients to permit the Unemployment Insurance Commission to have access to relevant information on file with other government departments. The procedure would be similar to that used in applying for credit and permitting the credit card company access to one's Credit Bureau records.

"There is no doubt that some people do in fact abuse their rights and defraud the Commission. At the same time, though . . . there have been some studies in Canada that have indicated that companies are just as guilty as the private citizen, if not more so, in terms of taking money from the Unemployment Insurance Commission. As it indicates, for every dollar a claimant has defrauded the UIC, there are three dollars that employers have not contributed." (Fredericton Anti-Poverty Organization, Fredericton hearings)

"As far as fraud is concerned, this continues to be the exception and occurs far less frequently than errors made by Unemployment Insurance staff resulting in overpayments that have to be reimbursed by the claimants." (Commission des services juridiques, written brief)

Figure 10.8

Net Value of Incorrect Benefit Payments

	Value ($ millions)	Percent of errors	Percent of total benefits
Unreported earnings	73	21%	0.70%
Clerical errors	67	20%	0.65%
Incorrect employer data	66	19%	0.64%
Record of employment errors not followed up	59	17%	0.58%
Incorrect agent decisions	52	15%	0.51%
Other	24	9%	0.23%
Total errors	341	100%	3.31%

Source: Comprehensive Tracking System of the Canada Employment and Immigration Commission.

Cross-matching could cover data on payments such as social assistance and Workers' Compensation, and could identify persons who are not eligible due to attendance at university or college. For it to be economical, the effort should be coordinated with other social service agencies. Existing laws and relationships between agencies must be evaluated, however, and negotiations should be started between provincial agencies and federal departments.

Recommendation

52 Benefit control systems should be established which cross-check data on claimants with data in other relevant government files. The Unemployment Insurance Act should be amended to permit overpayments to be recovered through offsets against other amounts owing to claimants from the government (e.g., income tax refunds).

"We recommend . . . that controls be instituted to eliminate the practice of clandestine work and that the penalties for fraud or abuse be much higher for claimants/businesses." (Comité socio-économique des Îles-de-la-Madeleine, written brief)

Investigative Services

At present, investigation of errors and abuse is limited and there is no coordinated policy of control and accountability. The current method of evaluating the efficiency of investigative activity (that is, investigations completed per person-year) encourages investigators to complete as many investigations as possible, rather than concentrating on the dollar value of overpayments. Evaluating results by quantity rather than quality may encourage investigators to forgo time-consuming cases. The roles and relationships between investigators and insurance agents were described as confused and frequently in conflict. This Commission of Inquiry can do little more than suggest that there is a need to address this problem.

Recommendation

53 The investigative effort of the Unemployment Insurance Commission should be focussed and improved, and cases of organized fraud should be given more attention. Performance measurement in this area should be based on dollar values in addition to the number of cases.

Summary and Conclusions

This chapter has dealt in some detail with all aspects of the delivery of Unemployment Insurance and related programs which are currently the responsibility of the Commission and the Department of Employment and Immigration. A great deal of attention was devoted to delivery, because no matter how well a program is designed, it is only as good as the treatment that it gives to each client. The current program fails on both counts. As earlier chapters made clear, it is not well designed. As this chapter demonstrates, it is not well delivered.

To rectify the delivery problems, major changes are suggested in organizational structure, program financing, the legal framework (in particular the appeal process) and administrative practices.

"It used to be that we spent 70 percent of our time serving clients and 30 percent of our time serving headquarters and the regional office. Now it is the reverse. We spend 70 to 80 percent of our time feeding the system!" (Informal round-table discussions with CEIC staff)

Notes

1 Leslie A. Pal, "State, Class and Bureaucracy: Canadian Unemployment Insurance 1940–1981" (forthcoming).

2 The actual number of staff employed by CEIC is a difficult number to identify. The Public Service Commission Annual Report for 1984–1985 lists 24,466 full-time employees. The Arthur Andersen & Co. figures based on 1986/87 Operational Plans give 24,904, and the January 31, 1986 departmental printout lists 28,011. The discrepancy is explained by the difference in reporting methods and the difference between permanent and temporary positions, approved person-years and actual numbers of people.

3 Canada, *Department of Employment and Immigration, Annual Report 1984–1985* (Ottawa: Minister of Supply and Services Canada, 1985).

4 L. St. Laurent, "Organization Review Report," internal CEIC report, November 1981.

5 Pal, "State, Class and Bureaucracy."

6 Michael Cassidy, MP, Commission of Inquiry on Unemployment Insurance, Hearings held in Ottawa, February 13, 1986, Vol. 38.

7 Arthur Andersen & Co., "Administrative Effectiveness and Efficiency Review," research study prepared for the Commission of Inquiry on Unemployment Insurance, 1986 (unpublished).

8 Two detailed analyses of the current act and regulations were undertaken for the Commission of Inquiry on Unemployment Insurance: Robert G. St-Louis and Lucie Lamarche, "Critical Review of the Organization and Administration of the Unemployment Insurance Act: The Claimant's Point of View," 1986 (unpublished); and Pierre Dufour, "Analysis of Problematic Legal Aspects of the Unemployment Insurance Act," 1986 (unpublished). Both studies make many detailed recommendations regarding specific aspects of the current legislation.

9 Cited in St-Louis and Lamarche, "Critical Review," p. 31.

10 Canada, Department of Employment and Immigration, *Estimates 1986–1987* (Ottawa: Minister of Supply and Services Canada, 1986), p. 5-5.

11 Canada, Department of Consumer and Corporate Affairs, Advisory Committee on Bankruptcy and Insolvency, *Proposed Bankruptcy Act Admendments: Report* (Ottawa: Minister of Supply and Services Canada, 1986).

12 Department of Employment and Immigration, *Annual Report 1984–1985*, p. 9.

13 Canada, Task Force on Program Review (Nielsen Task Force), *Job Creation, Training and Employment Services* (Ottawa: Minister of Supply and Services Canada, 1986), p. 79.

14 Canada, Task Force on Labour Market Development, *Labour Market Development in the 1980s* (Ottawa: Minister of Supply and Services Canada, 1981).

15 Task Force on Program Review, *Job Creation*, p. 82.

16 Canada, Public Service Commission, *Annual Report 1985* (Ottawa: Minister of Supply and Services Canada, 1986), p. 56.

17 Arthur Andersen & Co., "Administrative Effectiveness and Efficiency Review," pp. 7, 10.

18 "Accountant jailed 4 years for UIC fraud," *Montreal Gazette*, September 26, 1986, p. A-3.

Noel Buxton, Canada Employment Centre Staff Member, Winnipeg, Manitoba

Mr. Buxton discusses the tension and difficulties of working on the front desk of a Canada Employment Centre.

I've been working with CEIC for four years, most of it at the front desk, where you're dealing with clients pretty well the whole day. We talk to them and handle their paperwork at the same time. I would say on average we spend four or five minutes with each client, much less if everything goes smoothly and all the forms are completed perfectly, which very rarely happens, because the forms are very complicated for most people. A lot of people haven't learned English that well, can't read properly, or can't speak the language. In fact people who have been through our school system to grade seven or eight – even teachers with a Bachelor of Education – can't complete the forms properly.

It can be a very tough job, very frustrating. There are so many people to deal with and you have such a short time to deal with them. If someone asks if they're going to qualify, we can't answer, even if through our experience we know they won't, because everybody is entitled to complete an application and then it's only fair that somebody spends the time to make sure that everything is covered. So the application goes from the front desk to assessors who notify claimants as to whether they're entitled to benefits . . . That takes from two to four weeks. Before we had the computer terminals, it was horrendous. You couldn't answer most of the questions because the files were kept in the back. Or you had to write up an inquiry and someone else would phone the person back.

There is no privacy, so at least half-a-dozen people are going to hear a person's inquiry or complaint. If they start getting very irate, it's rough, because we've got to be very patient. I've had a few clients laid off with maybe 20 years' experience, and they're depressed, they don't know what to do. We have a needs determination officer who discusses their problems and refers them to an employment counsellor for other counselling if they need it.

Some of the companies shut down for a couple of weeks for preventive maintenance, and all their people can establish claims. To me these short-term layoffs are an abuse of the original intent of UI. Now it's subsidizing short-term layoffs. Seasonal workers, school divisions, school bus drivers . . . you have the feeling that no way are they looking for work during the summer . . . They're down at the lake. But they establish claims. Then there are people who actually develop false Records of Employment. The most common form of abuse, though, is people on claim who go to work and don't report their earnings. Usually we would never know, but sometimes I get anonymous calls, somebody saying – I know so-and-so is working and they're on UI. Then I give the information to an investigation officer.

The UI Act isn't really that thick, but you've got volumes and volumes of manuals and circulars with different interpretations. For instance, you almost have to be a lawyer to see whether holiday pay should be exempt or not.

Head office tries to help out. They're sending bulletins all the time . . . But when you're assessing claims, you're working to a quota, and it seems like every day you're getting another circular. Sure it helps, when you have the time to read it, but you've got to remember where you saw this and that and the other, and try and keep it all upstairs.

They might look at incorporating the Records of Employment with T4s . . . That would help employers because they'd only have to issue one piece of paper when the person left them and that would be it. Right now, most Records of Employment are completed incorrectly . . . There's so much for the employer to know. There's a several-page book explaining what they have to do, how they have to complete it. That could be made a lot simpler.

Working with the regulations is really an administrative nightmare for us. The whole thing is too complex . . . It could use the old "KISS"[a] principle.

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[a] "Keep it simple, stupid."

Part IV

Summary and Conclusions

Chapter 11

Summary and Conclusions

Canadians want changes in their Unemployment Insurance program. They see unemployment as a continuing threat and insurance against loss of earnings as a continuing need. But they also see many serious flaws in the present system, and they want initiatives that go beyond Unemployment Insurance itself and tackle the problems that bring about high and pervasive unemployment.

This report is a response to both areas of concern. It proposes specific changes and fundamental reforms of the current Unemployment Insurance system to make it more equitable, effective and efficient. It also looks at Unemployment Insurance in the context of changing economic conditions and within the framework of income security programs, and proposes a human resource development strategy aimed at reducing the threat of long-term unemployment.

The Impetus for Change

The public hearings held across the country brought home how deeply Canadians feel about Unemployment Insurance. This report reflects the views of many Canadians – it responds to their perception of inequities, and to the grievances and frustrated hopes that they expressed in public hearings, work-site visits, consultations and in hundreds of briefs.

Everyone recognizes that unemployment is a tragedy for those directly involved and that it represents a loss to society as a whole. In a time when Canada is feeling the pressures of economic and technological change, many believe that the Unemployment Insurance program and the essential social policies related to it are inadequate. The widespread criticisms that we heard about all aspects of the Unemployment Insurance program underscore the need for fundamental reforms. Many provisions of the program are considered unfair – the different treatments of workers whose circumstances are similar, the weak relationship between the amount of time spent in insurable employment and the amount of benefits received. Other major concerns included legislative complexity, compounded by inefficient delivery and unresponsive administration. These observations were supported by research which revealed flaws in design that make it virtually impossible to administer the program fairly and well.

Many were also concerned about the insensitivity of the administration to their feelings and needs. Individuals, families and small communities have been left with a sense of powerlessness under the heavy hand of a bureaucracy operating with a "take-it-or-leave-it" approach. Their encounters with the bureaucracy left them angry and hurt, and left us feeling that nothing short of fundamental change could get at the root of some problems.

These strong emotions need to be tempered by reason. The existing policies and programs are not without merit. How else can one account for the widespread desire to preserve the essential features of the Unemployment Insurance program? "What would the country have done without UI?" is more than a rhetorical question. The program is here and will stay. The real issue is, "Can a better program be designed?"

The Difficult Choices

Public policy is not a field that lends itself to mathematical proof. Even when we were dealing with well-known facts, the interpretation of those facts left room for judgment and disagreement. Such is the nature of human affairs that conclusions must be drawn and actions taken on the basis of imperfect knowledge. This Commission of Inquiry was faced with many difficult choices. The views and opinions of individuals and groups in our consultations did not merely differ – at times they contradicted each other. The Commissioners also brought different perspectives and interpretations to our Inquiry. Sometimes we agreed, sometimes we compromised, and sometimes we agreed to differ – and wrote dissenting opinions.

The need for reform is evident and must not be obscured in the debate that will follow the release of the report. The sound and fury, as views and interests clash, should not paralyze action. Canada cannot afford to continue to suffer the inequities and inefficiencies of its present system. Change can be traumatic and can have complex effects. There are those who benefit and those who suffer from it. What we have tried to indicate throughout this report is that reforms should be comprehensive enough so that a loss from one aspect of change can be compensated for by a gain from another program or policy.

The Need for Comprehensive Reform

While, for the most part, our recommendations are closely interrelated, some involve specific changes which can be considered in their own right. In either case, a comprehensive framework for reform is essential even though the proposals themselves need not be implemented en bloc.

We do not believe, for example, that regionally extended benefits can be phased out without federal-provincial consultation and agreements for some form of income or earnings supplementation to replace these benefits. The recommendations for changes to the Unemployment Insurance program itself, however, are more technical in nature and more interdependent. Adopting some while rejecting others may have unanticipated consequences. In our recommendations we have sought consistency. It is a delicate balance. There is no better proof of the need for balance than the situation of the past fifteen years, in which a succession of piecemeal changes have seriously compromised the equity, integrity, simplicity and cost effectiveness of the Unemployment Insurance program.

Some elements of Unemployment Insurance reform make sense only in a wider context. We have outlined the important ingredients of a human resource development policy, and have tried to show that Unemployment Insurance is only one part – but a pivotal part – of this country's income security system. Fundamental reform of Unemployment Insurance is only possible when associated changes take place in these two larger and interlocking areas, but the precise balance of all of these components leaves much room for political choice, and consequently for public debate. It is through public debate that the relative importance of educational training or income supplementation (both competing for public funds) must be clarified. We have redefined the role of Unemployment Insurance. We provide no detailed blueprint for change; we merely show the nature and direction of the changes required.

An Overall Strategy

Canada has an enviable record of employment growth, but the growth achieved has not reduced unemployment significantly nor diminished the importance of Unemployment Insurance for two main reasons. First, employment growth has taken place in a period of intense economic transformation. New jobs are being created, but others vanish. The relative importance of entire industries has shifted and technological changes have made products, processes and skills obsolete. It follows that even established workers may experience the need to retrain or relocate, and that no one, whatever his position in the company, is safe from the risk of unemployment. All may experience first hand the value of Unemployment Insurance.

The second reason why employment growth has not reduced unemployment is that the increase in participation in the labour force has been greater than the increase in jobs. In a competitive economy, heavily dependent on international trade, the labour market itself has become increasingly competitive. Many factors can make it more difficult to find and keep a job, including lack of experience, inadequate education and family responsibilities. Unemployment Insurance alone cannot provide all the answers. What Canada needs is a comprehensive human resources development strategy. Quite simply, Canada must invest in people. The unemployed need jobs, money, skills and a broader set of options.

Before identifying the specific reforms needed in the Unemployment Insurance program, we examined the elements of a human resource development strategy. Our objective was to distinguish the legitimate role of Unemployment Insurance from the roles of other parts of the social security and economic development systems.

Growth, Full Employment and Jobs

What the unemployed need most are jobs. To create more jobs, there must be a renewed and strengthened commitment to economic growth and full employment. Nothing else can succeed – including Unemployment Insurance reform – unless there is continued economic growth. Bureaucratically constrained "job creation programs" cannot fill the vacuum. What is needed is strong determination and effective policies to replace current pessimism with creative optimism.

Money

There is widespread uneasiness and some outspoken disagreement about almost every program in the income security system. Fear of the consequences of any change within the network of income security programs explains in part the resistance to the reform of any single element, whether it be Family Allowances, Old Age Security, pensions, social assistance, or Unemployment Insurance. We are convinced, however, that no agenda for reform of social security can succeed without the reform of Unemployment Insurance. Reform of Unemployment Insurance is not necessarily the first step, but few changes in other programs should be designed unless they are consistent with the direction in which Unemployment Insurance will evolve.

A majority of this Commission of Inquiry believe that the integrity of Unemployment Insurance as a program of social insurance must be restored. The program must focus consistently on replacing some portion of earned income for workers during periods of unemployment. It should not be used to supplement inadequate incomes, but rather to provide protection to workers against specific risks – protection for which they have paid premiums.

Since regionally extended benefits and the largest portion of fishing benefits are not financed by premiums, but by general government revenue and are essentially income supplements, a majority of Commissioners believe that they do not belong in the Unemployment Insurance system because these benefits create inequities and inappropriate incentives. We recognize that these recommendations would of themselves have a serious impact upon particular regions of the country – especially Atlantic Canada. We therefore recommend that there be no loss of support to these regions and that the money saved from regionally extended and fishing benefits be used for programs that are better designed to provide the needed assistance.

Returning the Unemployment Insurance program to a program of social insurance, and removing all income supplementation elements, has serious implications for other elements of Canada's income security network. Canada lacks a consistent and comprehensive system for supplementing the earnings of low-income families. Only Saskatchewan, Manitoba, Ontario and Quebec now have such systems. Our review of these provincial programs and of the guaranteed income concept proposed by the Macdonald Royal Commission suggests that a program which would assist families and individuals with low earnings is possible and should be introduced through a series of federal-provincial agreements.

If Unemployment Insurance is no longer used as an instrument of income supplementation, its role as a social insurance program can be clarified and strengthened. Eligibility for Unemployment Insurance benefits is triggered not only by job loss but also by a number of situations where the employment contract continues. Risks are pooled widely and a broad range of benefits exists for temporary interruption of earnings due to sickness, maternity, parental leave, short-term and seasonal layoffs. Other countries sometimes cover these situations in different ways and their systems were carefully considered, but in the end it was decided to continue with the traditional Canadian approach.

Education and Training

Technological change and changing trade patterns have reduced the importance of Canada's natural resources as a source of wealth and economic growth. People – with the education, skills and abilities that they have or can develop – have now become the main source of Canada's future prosperity. Canada must invest more in many ways, but particularly in "human capital." For individuals as well as for the country, the relationship between unemployment and a low level of education and skills is too important to be ignored. On this basis we propose a comprehensive human resource development strategy aimed at raising the general level of education of Canada's youth; eradicating functional illiteracy among the adult population; providing special opportunities for youth and young adults who experience the greatest difficulty in adjusting to the world of work; redirecting training efforts toward greater emphasis on development of basic skills; and separating training opportunities from Unemployment Insurance so that these opportunities are not limited to Unemployment Insurance recipients.

Flexible Responses to Change

The need to change and to adapt is a challenge faced by those individuals who must retrain or move to an unfamiliar location. But it must also be recognized as a challenge to institutions and to society as a whole. Government aid to individuals and business enterprises in the form of financial assistance for training, industrial development and mobility must be less arbitrary and should be consolidated. A wider range of options could be offered through more flexible work arrangements. The need for greater flexibility is particularly reflected in two important recommendations about Unemployment Insurance coverage: more generous treatment of part-time work and the removal of the 65-year age limit on Unemployment Insurance eligibility.

The New Unemployment Insurance Program

After concluding our public hearings, we set about the task of creating a program of changes to Unemployment Insurance that would respond to the several challenges that we had been given. We might have been justified in believing that the mission was impossible. We were expected to redress the many inequities of the present program, to remove undesirable incentives, to return Unemployment Insurance to a social insurance program and to design a system that would be clear and relatively simple to administer.

We believe that the new Unemployment Insurance program outlined here goes a long way to achieving all of these objectives. Nothing short of fundamental change is needed, and that is indeed what we recommend. The proposed Unemployment Insurance program has occupied the greatest share of our energies, fed the most substantial part of our debates, and is likely to generate the most interest in our report and the most controversy. We are convinced that its implementation would constitute a great step forward. Although all of the recommended features are interrelated, they have to be explained one by one.

First, we want to sweep away the present variations that plague the system and produce both inequity and complexity. There should be only one entrance requirement, one benefit phase, and one maximum duration of regular benefits. The present system makes distinctions among claimants whose economic circumstances are essentially the same. This is expensive because it is complicated to administer and creates a plethora of appeals. It is also confusing to staff and clientele alike and is basically unjust.

Secondly, we want to base the entire system on a strengthened link between insurable earnings and eligible benefits. This is what an insurance program should do, and it is also what equity demands. Workers paying similiar premiums on their earnings should be entitled to similar benefits. This change is simple but fundamental, and it has far-reaching implications.

The purpose of the program is to replace a part of the money that would have been earned, if employment had not been interrupted. Time is a factor, because what is insured is money earned over a given period – but what is this period of time? We recommend an annualized program in which the period of time over which insurable earnings are calculated is equal to the period of time over which benefits are payable – a year for a year. The purpose of Unemployment Insurance therefore becomes simple and easy to understand. In the event of unemployment, two-thirds of the claimant's earned income over the preceding year would be replaced, and this insurance would be provided over a period of one year.

The present system provides benefits for up to a year for income earned over as little as 10 weeks. Benefits are based on weekly earnings which also may be earned over as little as 10 weeks. There is no justification for using the same period both as a minimum entrance requirement and as the accounting period over which insurable earnings are determined. Under Annualization, the minimum entrance requirement would be 350 hours (approximately equal to 10 weeks), and the determination of the benefit level would be based on average earnings over the previous 52 weeks.

We propose that Annualization be phased in gradually in four stages. In the third phase of implementation, the rate at which earnings are insured would increase from 60 to 66⅔ percent. This reduces the adverse effect on part-year employees of calculating insurable earnings over 52 weeks instead of 10 to 20 weeks. We also believe that raising the benefits-to-earnings replacement ratio is a preferable alternative to increasing maximum insurable earnings, which are now set at about the average industrial wage. Increasing the maximum raises benefits only for claimants with above-average earnings. Increasing the replacement ratio raises benefits for everyone.

The distribution of benefits will become materially different under the new program. More benefits will be directed to claimants who have been in the labour force for longer periods, and to claimants who are unemployed for a longer time. We believe that this redirection of protection responds to the widely held conviction that Unemployment Insurance is a social insurance program and should provide protection in proportion to loss. Older workers often find retraining and relocating a greater hardship than younger persons, and long spells of unemployment involve more severe hardship than short spells. Because of structural changes in the economy, even established workers with a long history of employment face the threat of job loss, and the incidence of long-duration unemployment has been increasing.

Restoring to Unemployment Insurance its integrity as an insurance program cannot be achieved without curtailing some benefits. In the present system, short-term workers and seasonal workers who are employed for only a short season can draw unemployment benefits that are several times larger than the income that they earned and on which they paid their Unemployment Insurance contributions. In these cases, the compensation far exceeds the loss. That situation must be addressed because it is one of the main sources of inequitable treatment and of undesirable labour market incentives.

We recognize the need to supplement low incomes and to compensate the less-advantaged regions of the country. We believe, however, that using Unemployment Insurance as the vehicle to solve these problems is inappropriate. Canadians should apply their imaginations and national resolve to finding a better way to solve these long-standing problems.

While we were conducting our Inquiry, controversy raged around changes in the treatment of pension income by Unemployment Insurance. As an increasing number of Canadians may choose to continue working after going on pensions, this is a pressing issue in designing a fair and workable social security system. We have therefore recommended that the recent changes be rescinded and a two-stage structure introduced that involves treating pensions as earned income when the pension is first received and thereafter reducing both premiums and benefits to take account of pension income.

This report also deals with various other issues, such as lump-sum payments and earnings by those in receipt of Unemployment Insurance benefits. Our recommendations on these issues are guided by the desire to minimize complications, remove adverse incentives, and restore equity.

There is general agreement that individuals should not be able to take advantage of the Unemployment Insurance program by wilfully incurring unemployment. That premise has important consequences, many of which are incorporated in the present system. They include the non-eligibility of claimants involved in a labour dispute, penalties for voluntary quits, and requirements that claimants remain available for work and actively search for new employment while they are in receipt of benefits. The proposed program retains and confirms these rules, with relatively minor adjustments or clarifications. To avoid arbitrary application, rules and regulations should be expressed in considerable detail and be made widely known. There are many cases, however, where judgment must be applied. Regulations should therefore be worded to allow flexibility, while avoiding the pitfall of discretionary and arbitrary interpretation – a difficult challenge for those who frame legislation.

Self-Employment and Fishing Benefits

The question of moral hazard – of bringing about the events which allow one to collect benefits – has particular relevance for the self-employed. The self-employed can become unemployed involuntarily, but because of the nature of self-employment it is difficult to determine whether unemployment is voluntary or involuntary. Although we recognize the hardships that they face, we regret that we have been unable to recommend inclusion of the self-employed among the insured population. In some cases, their needs could be better met by an income supplementation program such as the one we recommend.

The obvious anomaly in this general exclusion is the treatment of self-employed fishermen. Currently, they are entitled to benefits that are paid out according to special rules and that are largely funded from general revenue. We have recommended that this program be phased out over a five-year period. We recognize the severe financial needs of many fishermen who eke out a subsistence living in an occupation that is dependent upon the vagaries of nature and government regulations. The attempt to adapt Unemployment Insurance to fit their situation is futile, however; what most of these fishermen need is not to stabilize their income but to augment it – a task which Unemployment Insurance is not designed to do and could never do well.

Under our proposal, those currently entitled to benefits would retain their entitlement, but within simplified and less constraining transitional arrangements. The five-year phase-out period should be sufficient for interested federal and provincial governments to determine jointly how to redirect the funds that are currently used for regionally extended and fishing benefits to set up federal-provincial income supplementation schemes, which should be open to other occupations and better targetted to the needy.

Unemployment Insurance Administration

Because employers and employees pay premiums, they naturally feel a proprietary interest in the program and its administration. Big government, however, is not particularly notable for its "user-friendliness" and there was ample evidence of that in the views that we heard. At times it seemed that, if only the quality of administration and style of delivery could be improved, everything would be well with Unemployment Insurance. But upon further examination of the causes of the frustration and bitterness directed at the bureaucracy, we understood that staff and administrators were sometimes the scapegoats of a program too complex and too ill conceived to generate anything but discontent. And we were often impressed by the patience and dedication of staff of the Canada Employment and Immigration Commission.

Nonetheless, the need for a major shake-up and reorganization of the system appeared obvious and urgent. Program administration should be returned to its proprietors – the employers and employees who now contribute to its funding – and should be financed entirely by their contributions. Our other recommendations are consistent with this reform.

When the government is present through its representatives and its financial contributions, it effectively dominates the operation. Unemployment Insurance principles, benefit structure, and appeals procedures should be set down in legislation, but the Act should leave room for employers and employees jointly to adjust certain elements of the program. Most importantly, within broadly defined guidelines, the new Unemployment Insurance Commission should be allowed as much discretion as possible to run its own affairs. This does not mean that it should be allowed to manage the program in an arbitrary way. The new Commission should be under an obligation to adopt and publicize clear rules, and its decisions should be subject to appeals according to a streamlined and more effective process.

Getting from Here to There

To coordinate and effect all the changes that we recommend is, quite simply, a monumental task. It will require commitment, persistence, and time. It was not possible within the time allotted to us to examine in detail all of the implications of our proposals, nor to consult as widely as we would have wished about some of these implications. More consultation is needed as these proposals will affect many Canadians in a variety of ways. Time is also needed to understand, to anticipate the changes, and to adapt. In some cases we make detailed recommendations for gradually phasing in changes, such as those relating to Annualization, pensions, and fishing benefits.

A phasing-in process has been proposed for those recommendations that necessitate legislation or that must await federal-provincial agreements and the formulation of alternative or supplementary programs. Our proposed human resource development strategy involves concerted action by several departments and levels of government. This effort should be a country-wide concern.

Finally, leadership will be essential for the success of all of these recommendations, as it is for any major social endeavour. Objections, delays, obstacles and complications will abound and must be overcome, if Canada is to ensure a working future for its citizens.

Chapter 12

Compendium of Recommendations

This chapter lists all the recommendations of the Commission of Inquiry and summarizes the basis on which each has been made. The recommendations are designed to restore Unemployment Insurance to its original concept and to place it in the context of a strategic plan for comprehensive human resource development. Unemployment Insurance has the pivotal role in the income security system of this country. Consequently, reform of the current program must be accompanied by changes in other programs concerned with human resource development and income security.

Chapter 1: What We Heard

Chapter 1 presents a resumé of what participants said during the public hearings about the problems of unemployment and the Unemployment Insurance program. There was strong consensus that Unemployment Insurance is and will continue to be needed. At the same time we were assailed with complaints and grievances about the program. There was virtually universal condemnation of the complexity of the Act and regulations, and strong and opposing positions on the nature and purpose of the program itself. Some saw the program as attempting to meet too many social objectives, and called for a return to the basic principles of insurance. Others wanted these social aspects of the program expanded. The consultation process focussed the field of debate on several issues, including the program's objectives, inequities, incentives, the imbalance between the government's role and that of the premium payers, and inadequacies in the program's delivery.

Chapter 2: Employment and Unemployment

Chapter 2 presents an overview of unemployment, its nature and scope, and the interplay between rising expectations for jobs and the growth in the number of jobs available. The chapter shows that unemployment is a significant problem – a problem which annually affects one in four Canadians who want to work. The risk of unemployment is greater for those with lower levels of education, particularly youth, older workers, and workers in industries, occupations or regions facing structural transformations. Examination of the operation of the Unemployment Insurance program itself shows three patterns of usage that suggest problems within the design of the program. These patterns are specific to short-term workers, those on industrial layoffs with recall, and full-year workers who exhaust their benefits.

What are the needs of the unemployed? Quite simply, they need jobs, money, skills and increased options in the labour market. Meeting all the needs of the unemployed is a task well beyond the scope of an Unemployment Insurance program. Unless reform of the current program is undertaken as part of a broad, integrated human resource development strategy, it can be no more than a token effort, almost certain to fall short of its objective. Part II of the report focusses on the need for a comprehensive human resource development strategy.

Chapter 3: Jobs

This chapter looks at full employment, at employment development strategies and, in particular, at job creation. It is pointed out that the demand for jobs can be met only if there is economic growth and if that growth keeps pace with growth in the labour force. Economic growth, in turn, requires a high and sustained level of investment. In recent years, investment in Canada has not been sufficient to achieve both increased productivity and expanded employment opportunities to match the growth in the labour force. Unemployment can be truly resolved only in an environment characterized by economic growth.

All industrialized countries are finding it difficult to eliminate unemployment. As a result, there is a growing lack of confidence in traditional fiscal and monetary policies. The task of stabilizing the economy at a low level of unemployment is difficult but essential and in attempting to achieve this objective, new solutions to old problems appear necessary. One possible alternative which has been persuasively argued involves revenue sharing. This entails workers agreeing to accept part of their remuneration as a share of the firm's profits rather than as wages. This approach increases the stability of employment and has been successfully adopted in Japan and Korea and is gaining in popularity in the United States.

Recommendations

1 Economic policies should give high priority to raising the rate of growth of the economy, in recognition of the role of economic growth in creating employment opportunities. Particular attention should be paid to policies that would ensure:

- a high and sustained volume of investment; and
- sufficient improvement in productivity to maintain or improve Canada's competitive position in the world.

2 Full employment should continue to be a primary objective of fiscal and monetary policies.

3 Profit or revenue sharing as a component of total earnings of labour should be encouraged and the treatment of income from these schemes by Unemployment Insurance and Revenue Canada should encourage their introduction.

The problem of regional unemployment is currently approached in two ways. The first is through regional economic development initiatives that attempt to increase the productive capacity of regions by subsidizing industry to locate or expand there. The second is through job creation programs, which are a more temporary response to regional unemployment, involving short-term projects that provide jobs.

Regional economic development policy has concentrated on grafting large firms onto depressed regions. In many of these cases subsidies are required on a continuing basis to offset the inherent competitive disadvantages of these regions. Current programs do not seem to provide much support to the growing service and small business sectors. An attractive alternative would be to invest in increased productive capacity and a higher level of employment by supporting community economic development initiatives such as Community Economic Councils and Community Development Corporations. These community-inspired initiatives have the advantage of building on local strengths, and the employment that they create becomes part of the fabric of the local community.

There is evidence from both British and French experience that the unemployed can be successful in creating their own jobs by starting their own businesses. In cases where the unemployed have a sound business plan, Unemployment Insurance rules and regulations should encourage their initiative.

Recommendation

4

An industrial and regional development strategy should be designed with the following characteristics:

- A substantial proportion of regional and industrial assistance should be directed to new and to small businesses, including those in the non-manufacturing sector.
- Community economic development initiatives should be funded, at least in part, from funds released by phasing out regionally extended benefits. They should be undertaken in a manner that ensures local control and should be widely available to communities in Canada.
- Initiatives that assist the unemployed to start their own business enterprises should be encouraged.

Job creation programs have come in all shapes and sizes and have been designed with the best of intentions to meet a large number of specific problems. They have always been considered a "temporary" response to an unemployment crisis. The projects undertaken, however, have failed either to counterbalance the economic depression of the various regions or to improve the employability of participants. In addition, these initiatives have been plagued by changing federal priorities, lack of coordination among the various levels of government, and political pressures for constituency funding. What is needed is more long-term planning and the creation of jobs of long-term value to the community. All projects should be evaluated and the results made public.

Recommendation

5

Short-term job creation programs should be eliminated and the funds redirected to longer-term employment programs. These programs should:

- focus on jobs with a long-term value to the participant and community, rather than on short-term make-work jobs;
- eliminate the constituency basis of funding; and
- set aside a portion of program budgets for analysis by independent researchers to determine whether their objectives have been met. The results of these evaluations should be available to the public.

Under Section 38 of the Unemployment Insurance Act, benefits may be provided to participants in approved job creation projects for up to six weeks after the project ends. Although there are many problems with Section 38, the basic one is that it is not an appropriate feature in an Unemployment Insurance program. Job creation should be supported directly from general revenue and should be open to a wider group than just those receiving benefits. Individuals who have already exhausted their benefits, for example, may be in even greater need of assistance than those still receiving Unemployment Insurance.

Recommendation

6 Section 38 (Job Creation) of the Unemployment Insurance Act should be rescinded.

Chapter 4: Money – The Need for Income Security

This chapter outlines Canada's income security system and the role of Unemployment Insurance within that system. Income security programs in Canada can be divided into three distinct categories or tiers. Tier 1 consists of income support programs (such as social assistance and the Guaranteed Income Supplement). Tier 2 includes income supplementation programs (such as Old Age Security, Family Allowances, the Child Tax Credit, and programs operated by certain provincial governments). Tier 3 consists of social insurance programs (such as Unemployment Insurance, the Canada and Quebec Pension Plans, and Workers' Compensation).

Income support provides financial assistance to individuals and families who have little or no other income. Income supplementation provides income assistance to low-income earners to minimize the effect of an inadequate income. Social insurance programs provide some measure of income replacement in the event of various contingencies such as unemployment, sickness or injury.

Unemployment Insurance is the cornerstone of income security in Canada. It was originally designed, in 1940, as a program of temporary assistance to workers who are between jobs. With the haphazard addition of functions over the years, to cover new situations and serve new needs, the program has expanded far beyond this. As a consequence in some parts of the country it is now part of a regular pattern of income from seasonal or short-term employment, unemployment benefits and, for some, social assistance. In some cases, benefits actually exceed the earnings that they are intended to replace, due to the provision of regionally extended benefits. Thus, Unemployment Insurance has become a major element of income or earnings supplementation.

Unemployment Insurance is poorly designed to undertake the function of supplementing income because benefits are not income tested, Unemployment Insurance is directed to the individual rather than the family, and benefits are based on previous earnings rather than need, with higher benefits going to higher earners rather than to the needier. Only 11 percent of Unemployment Insurance benefits go to families with incomes of less than $10,000, and almost 20 percent go to families with incomes greater than $40,000. It is simply not a good instrument for income redistribution.

Regionally extended benefits, funded by general revenues rather than premiums, were introduced to provide supplementary assistance in specific regions with particularly high unemployment. Over time, however, unemployment has risen throughout Canada so that regionally extended benefits have been paid in every region since 1981. Consequently, these benefits are no longer part of an economic adjustment plan directed toward areas with unusually severe problems; they have become a kind of temporary social assistance/income maintenance plan for those who can find at least 10 weeks of work per year.

Regionally extended benefits are considered by many to be an essential element in regional economies. These benefits, however, attack the symptoms rather than the underlying causes of unemployment. Eliminating regionally extended benefits would free up some $2.8 billion which could be directed to correcting the causes of unemployment and providing earnings supplementation to those who need it. It would be irresponsible to give serious consideration to removing regionally extended benefits without providing an income supplement to workers faced with economic hardship and without providing development funds to regions and communities suffering from the impact of economic forces well beyond their control.

A federal Earnings Supplementation Program cannot exist in isolation, distinct from developments in other social security benefits, the tax system or provincial initiatives. Four provinces have income supplementation programs and all provinces are vitally interested in helping low-income families. What may be needed is a group or series of supplementation plans, reached through federal-provincial agreements, to reflect the differing provincial concerns.

An Earnings Supplementation Program which helps those who have some income differs fundamentally from a guaranteed annual income which helps those who have no other sources of support. An Earnings Supplementation Program should be designed to increase a person's benefits when earnings increase and the program should have a low and consistent tax-back rate on income earned while receiving the supplement. A well-designed program would compensate for the effects of phasing out regionally extended benefits. It would be a major reform of one tier in the income security system, and would allow Unemployment Insurance to return to its appropriate role.

Unemployment Insurance plays essentially a transitional role, that of partial income replacement for a specific period during an interruption of earnings. It should serve as a lifeline rather than a safety net – to help people return to stable employment rather than holding them in a pattern of dependence. The many additions to its functions over the years have subverted its essential nature and created unacceptable inequities. This has occurred largely because of the lack of other, more appropriate programs or agencies. Unemployment Insurance should return to its original purpose and other initiatives should now be adopted to assume the functions of income supplementation for low-income families.

Recommendations

7 Regionally extended benefits within the Unemployment Insurance program should be progressively abolished and replaced over a period of four to five years with a range of human resource development programs better tailored to meet the needs of individuals and regions. The range of programs and policies should include:

- an Earnings Supplementation Program;
- economic and community development initiatives;
- education, literacy and basic training programs; and
- policies and programs to facilitate greater flexibility in the labour market.

8 The Canadian government should work closely with the provinces to develop earnings supplementation plans that complement the proposed changes in the Unemployment Insurance program. These plans should ensure that those who participate in the labour force but have inadequate incomes would be eligible to receive a supplement on the basis of total household income rather than individual income. The tax-back rate, when combined with the income tax system, should be less than 50 percent.

9 Unemployment Insurance should provide temporary replacement of earnings in the case of job loss or interruption of employment earnings.

Unemployment results from either job loss or a temporary interruption of earnings. It is as reasonable to cover temporary sickness, maternity or parental benefits as it is to cover temporary layoffs with recall notices. In the absence of another, more inclusive system to protect those whose earnings are interrupted because of maternity, parental or sick leave, it is appropriate for Unemployment Insurance to continue to provide this coverage.

The issue of the "medical yardstick" for sickness benefits caused many complaints at the public hearings. While the use of the medical yardstick as a guide is not disputed, the secrecy that surrounds it is insupportable. Another issue concerns the waiving of the normal two-week waiting period in certain cases of illness. This practice is contrary to the principle of co-insurance whereby the insured and the insurer share the cost of any contingency covered by the insurance.

Maternity benefits have changed over time to provide benefits not only for the mother, but also for parental care. Although in 1984 benefits were extended to adoptive parents, the role of the natural father has not been equally recognized. The provision for a 2-week waiting period and for a total benefit period of 15 weeks should be maintained. A two-tier system would allow parents to decide how long the mother would receive benefits and which parent would assume the initial parenting role. The current restriction limiting the duration of the receipt of special benefits such as maternity and sickness in any combination to a maximum of 15 weeks is unduly harsh.

Recommendations

10.1 The Unemployment Insurance program should continue to provide sickness benefits. It should retain the provision for premium reduction equivalent to the saving to the Unemployment Insurance Account from private disability insurance, but the method of calculating the premium reduction should be reviewed.

10.2 The medical yardstick for determining sickness benefits should be readily available for client reference. The two-week waiting period for sickness benefits should continue and this requirement should be enforced.

11.1 A two-tier system of maternity and parental benefits should be implemented, comprised of:

- maternity benefits available during the period surrounding childbirth; and
- parental benefits available during the period following maternity leave or placement of an adopted child;
- parental benefits should be available to either or both parents (but not concurrently) such that the total amount of benefits does not exceed the maximum available to one parent; this should be made available only to those who are active labour force participants.

11.2 Section 22(3) of the Act should be amended to remove the present 15-week aggregate benefit limit, so that the availability of sickness benefits is separate and distinct from any maternity or parental benefits to which a person is entitled. Maternity, parental and sickness benefits should be available during any phase of the claimant's unemployment spell.

Seasonal factors, layoffs and other industrial practices contribute heavily to interindustry variations in the relationship between contribution and benefits. The result is that industries with stable employment patterns are seen as subsidizing those with less stable patterns. Experience rating has been suggested as a means of reducing, if not eliminating, these cross-subsidies. Evidence shows, however, that on balance its effect would be negligible in affecting the behaviour of firms.

Recommendation

12 Unemployment Insurance premiums should not be based on experience rating.

Chapter 5: Skills – A Choice of Futures

This chapter identifies fundamental inadequacies in the educational and skill level of the work force and examines the role of Unemployment Insurance in that context.

An educated work force is better able to adapt to changing labour market demands and will therefore have a better choice of futures. There are fundamental inadequacies in the educational and training system, however, and this has resulted in inadequate skills among many workers. Evidence shows that those who have not completed high school are much more likely to be unemployed. For this reason, a strategy to help achieve at least high school equivalency is essential. Rather than emphasizing specialized skills training, the focus should be on ensuring attainment of the basic educational level which is necessary for future training and retraining.

To overcome the current inadequacies in the educational system, there is an urgent need for leadership on the part of educators and public policy makers to put aside jurisdictional considerations and deal with the real needs of high school dropouts. It is recognized that high school education is largely within provincial jurisdiction, but the education required for a more flexible and better trained labour force knows no provincial boundaries.

Many adult Canadians are functionally illiterate and lack numeracy skills. The resulting inability of almost a third of the adult population to deal at the necessary level with language, numbers and concepts has considerable human and economic costs. Functional illiteracy is being recognized increasingly by Canadian industry as a major concern. If Canada continues to ignore the illiteracy crisis and fails to mount a cooperative and sustained effort to eliminate it, a large proportion of workers will be limited in their ability to participate effectively in the work force.

Recommendations

13 The federal government should invite provincial governments to undertake measures at the high school level to ensure that a high minimum level of education is achieved by all Canadians and that these measures emphasize:

- flexibility in program requirements;
- the acquisition of general basic skills to grade 12 or an equivalent level;
- cooperative programs that combine work and study; and
- the inclusion of technological content in all programs.

14 The federal government should invite provincial governments to cooperate in mounting a sustained effort to eradicate functional illiteracy and innumeracy among the adult population.

Basic knowledge and skills are fundamental preconditions of a skilled and flexible work force. Changing requirements, and the consequent necessity for the labour force to adapt, demand a greater emphasis on employment training and retraining. Employers repeatedly complained at the public hearings that they could not find workers able to solve problems, and that what they needed were workers with general skills, who are able to adapt and to learn new technical skills as job requirements change. Funding arrangements have also been criticized on the grounds that they limit the selection of the most appropriate courses.

Recommendation

15 Training programs and funding arrangements under the National Training Act should be modified to:

- assign high priority within the Institutional Training Program, or its replacement, to providing courses in functional literacy, basic training for skill development, and educational upgrading;
- recognize programs that enable functionally illiterate workers to gain basic literacy skills as a legitimate component of on-the-job training; and
- replace the current funding arrangement with one that will increase the relevance and responsiveness of training institutions to the labour market.

Section 39 of the Unemployment Insurance Act provides benefits, in some cases for an extended period, from general revenues to recipients who undertake training in approved courses. There are several concerns about this arrangement. All unemployed individuals should be given the opportunity to upgrade their skills and improve their employability. The current practice in approving courses is not to place emphasis on basic skills but to favour those who already have substantial skill levels and, in the case of apprenticeship training, to favour those who are already employed. The operation of the apprenticeship program should be removed from the Unemployment Insurance program and reviewed by the appropriate federal and provincial authorities. The provision of extended benefits to a person while on training is inequitable and a violation of the insurance principle. Trainees should receive benefits only for the period of their regular entitlement, and the role of Unemployment Insurance should be limited to waiving the search requirements for those undertaking approved training.

Recommendation

16 Section 39 of the Unemployment Insurance Act should be rescinded and provision should be made to:

- waive job search requirements for approved beneficiaries undertaking approved training programs (including literacy, educational and skills upgrading);
- establish a review process to monitor these approvals;
- exclude allowances for expenses from computation of earnings on claim; and
- initiate a review of the operation of the apprenticeship program by the appropriate federal and provincial authorities.

Those in the 15-to-24 age group need special attention. The baby boom generation has already flooded the labour market and produced high unemployment among youth and young adults. Many are poorly equipped for participation in the labour force and have difficulty adjusting to the demands of adulthood.

Recommendation

17 The Minister of State for Youth should consider implementation of a comprehensive Youth Opportunities Program. The program would combine basic education, counselling, life skills and work experience for young people aged 15 to 24 years who do not have a high school diploma or are otherwise disadvantaged and are having difficulty entering the labour force.

Chapter 6: Options – Employment Flexibility

This chapter addresses the need for greater flexibility in the labour market and evaluates such programs as mobility assistance, retirement policies and alternative work arrangements. These initiatives provide individuals with greater choice and allow the labour market to adapt more readily to change.

Labour displacement in declining industries and depressed regions often involves many people. In these circumstances, it is sometimes in everyone's interest that relocation take place. Currently, several programs provide mobility assistance to facilitate the movement of individuals who are unemployed, underemployed or about to become unemployed. What is required is a consolidation of mobility assistance into a single program, to avoid overlap and duplication.

Mobility, however, is not a panacea for solving labour market problems. A key policy element should be the degree of flexibility in labour adjustment. A consolidated mobility program should be based as much on the needs of the individual as on the needs of industry. It should have few criteria that limit eligibility, and should provide assistance to those who relocate to undergo training.

Recommendations

18.1 All federal labour market programs that provide mobility assistance should be consolidated.

18.2 In the new consolidated mobility assistance program:

- the industry and community basis for determining eligibility should be eliminated; and
- in addition to those currently eligible, assistance should be provided to workers who relocate for training purposes.

Changing economic and social demands will require greater flexibility in the way that work is organized and also in the rules and regulations of Unemployment Insurance. There are many alternative work arrangements, but the variety and the benefits of these alternatives are not sufficiently understood. Some alternatives, such as job sharing and working part time, have direct implications for employment income and consequently for the Unemployment Insurance system. Job sharing involves restructuring a single full-time job into two or more part-time jobs. Interest in job sharing has increased in response to the needs and preference of working parents and partially retired persons.

Part-time employment has increased rapidly over the last decade. The Unemployment Insurance program excludes many part-time workers, since in order to be eligible a person must work at least 15 hours per week for the same employer. This restriction imposes hardship on many families, is unfair, and is out of step with changing work patterns. The Wallace Commission of Inquiry on part-time work and the Boyer Committee on equality rights both concluded that the current minimum of 15 hours per week should be reduced to 8 hours. The principle that all hours of work should be covered is accepted, but it is recognized that in practice extending coverage to every hour and to every worker may create administration problems and may result in additional costs, particularly for small businesses. The feasibility of such an extension should be examined by the Canada Employment and Immigration Commission.

Recommendation

19 Unemployment Insurance coverage, in principle, should be extended to all part-time workers, but first of all to those who work a minimum of eight hours per week. Workers should be allowed to accumulate hours of work in order to become eligible for coverage. The administrative feasibility of covering all hours of work, including work for different employers, should be examined by the Canada Employment and Immigration Commission.

Compensated work sharing is a temporary arrangement intended to preserve employment through the avoidance of layoffs, at least in the short term. A prorated share of the regular weekly Unemployment Insurance benefit is paid to those workers whose normal hours are reduced by a formal agreement. There is widespread support for these arrangements.

Recommendation

20 The current work-sharing provision in Unemployment Insurance should be retained, and an internal review should be undertaken in order to streamline procedures and reduce administrative and compliance costs.

Since the end of World War II, the proportion of a worker's life spent in the labour force has declined substantially, largely because of a preference for increased leisure as real wages and real incomes rose. This preference is reflected most notably in the choice of a shorter work year through increased holiday periods. In contrast, the average work week has remained remarkably constant. Because of the projected aging of the population, the wisdom of attempting to reduce work time or ban overtime work by legislation is questionable.

Recommendation

21 Flexibility in work time should be encouraged but shorter work days, weeks or years should be negotiated by individual firms and industries rather than being established by legislation.

The requirement of mandatory retirement at age 65 is under attack because of the equality provisions in the Canadian Charter of Rights and Freedoms. The federal government has expressed a commitment to facilitate flexible retirement, and changes to increase the flexibility of public and private pension plans either have been made or are contemplated. Available empirical evidence from the United States and from Quebec indicates that these measures may have little effect on postponing retirement. They will, however, expand the range of genuine personal choice. These changes have major implications for the Unemployment Insurance program. They change the context of the three-week "retirement benefit" at age 65 and the treatment of pension income in determining Unemployment Insurance benefits for persons under age 65 who take on another job while receiving a pension. Since Unemployment Insurance and Old Age Security are elements of the social security system, changes in their age limits should be coordinated.

Recommendation

22 The age limit of 65 years should be removed as a barrier to Unemployment Insurance eligibility, concurrently with changes in the age limit established in the Old Age Security program. At that time, the provisions in the Unemployment Insurance Act for payment of a three-week "retirement benefit" should be rescinded.

Chapter 7: A Plan for Reform

This chapter sets forth the proposed fundamental reform of the core program of Unemployment Insurance, the objectives, and the reasons for the new program design. The current program is perceived by many to be unfair, illogical, at variance with the principles of social insurance, and overly complex. Different criteria are applied and different benefits provided to individuals who are in similar circumstances. More generous treatment is given to short-term than to long-term workers, and more is given to those in some regions than in others. The entrance requirements are complicated and there are different benefit phases. Not all hours of work are treated equally in determining eligibility for benefits, and workers in the same occupation with the same employment possibilities are treated differently. The practice of basing eligibility on the local unemployment rate is unfair, since that rate is a poor indicator of job opportunities.

The proposed new approach must be viewed within the broad context of the human resource development proposals included in preceding recommendations, and within the framework of the income security system. The reform embodies the view that Canada must invest more in human resources and make funds available to support programs for that purpose. Within the context of a comprehensive human resource development strategy, the role of Unemployment Insurance would become one of strict income replacement. Income supplementation and other aspects of the current program would be transferred to programs specially designed for these purposes.

To respond to deficiencies in the current program, the proposed reforms involve moving to "Annualization" in the calculation of benefits – that is, basing the level of benefits on insurable earnings over the previous 52 weeks and paying benefits for up to 50 weeks. In addition, an annual maximum limit on insurable earnings is set. This annual limit would remove inequities and encourage increased flexibility in the workplace. A further change involves a revised approach to credit banking, ensuring that all hours worked and all earnings are included in the calculation of benefits, which will provide greater incentives for the unemployed to accept full-time work. Finally, shifting to an entrance requirement based on hours rather than weeks would allow workers to accumulate all hours of work.

It was decided that simple modification of the existing program would not meet the demands of the changing economic environment or provide the best possible foundation for the future. The weaknesses and inequities in the current system were carefully reviewed and the advantages and disadvantages of various options were studied and debated. The decision was reached that, on balance, Annualization was the best approach, because it combines low entrance requirements with long maximum duration of benefits, without the inequities, disincentives and administrative complexity of the current approach.

Recommendations

23 A new Unemployment Insurance program should be developed and implemented. Features of the program should include:

- a standard cumulative entrance requirement of 350 hours;
- benefits based on average weekly insurable earnings in the 52 weeks prior to unemployment;
- benefits paid in 50 weekly instalments after a two-week waiting period;
- benefits to equal 66 ⅔ percent of insurable earnings;
- an annual maximum insurable earnings limit applied according to the employer's pay periods; and
- a system of credit banking.

24 The reformed program should be introduced in four phases.

- Phase 1: benefits would be based on the average weekly earnings over 13 weeks, paid in 50 weekly instalments, and would be 60 percent of insurable earnings.
- Phase 2: benefits would be based on the average weekly earnings over 26 weeks, paid in 50 instalments, and would be 60 percent of insurable earnings.
- Phase 3: benefits would be based on the average weekly earnings over 39 weeks, paid in 50 instalments, and would be 66 ⅔ percent of insurable earnings.
- Phase 4: benefits would be based on the average weekly earnings over 52 weeks, paid in 50 instalments, and would be 66 ⅔ percent of insurable earnings.

Particular concern was expressed at the public hearings about the situation of unemployed older workers who are too young to draw a pension but may be considered too old to be readily employable. For them, one year of benefits may be insufficient for the sort of adjustment that all workers may find increasingly necessary. Under Annualization, workers who suffer a number of layoffs in quick succession after many years of steady employment with the same company may need a means to top up their benefits to some percentage of their average weekly earnings. They may also need assistance to top up or extend their benefits so that they can undertake approved training and move for relocation purposes.

Recommendation

25 A Cumulative Employment Account should be developed, having the following features:

- Credits would accrue at the rate of two weeks for every year worked, to a maximum of 25 years of credit.
- Benefits could be drawn only after a 30-year threshold.
- Benefits could be used to (a) top up Unemployment Insurance benefits to 66 ⅔ percent of average insurable earnings over the previous five years; and (b) top up or extend benefits for those undertaking approved training, retraining or mobility. Benefits could be extended to a maximum of 52 additional weeks.

Chapter 8: Immediate Steps – Other Program Reforms

Fundamental restructuring of the Unemployment Insurance program involves sweeping changes that must be carefully considered and gradually introduced. This chapter deals with a number of less fundamental changes that could be implemented more rapidly, either within the current program or as part of a reformed program.

The treatment of pensions was the subject of a special reference to the Commission of Inquiry. In considering this issue, it must be recognized that the entire question of retirement and retirement policy is changing rapidly. Under the Canadian Charter of Rights and Freedoms, age 65 may no longer be a basis for mandatory retirement. Actuarial adjustments for those wishing to retire at other than the "normal" retirement age are already taking place or being contemplated in both the public and private sectors. As a consequence, it will become less and less true that receipt of a pension and retirement are synonymous. Thus, the question of the treatment of pension income by Unemployment Insurance has become part of a more general problem facing policy makers – the increasing importance placed on flexibility in retirement and pension arrangements, and the resulting need for better coordination of all related social policies, particularly Old Age Security.

Since those who have retired are no longer in the labour force, they should no longer be covered by a program such as Unemployment Insurance, which is designed to assist members of the labour force. Receipt of a pension, however, does not necessarily mean that a person has left the labour force and should not lead to disqualification from Unemployment Insurance benefits.

Denying coverage to everyone with pension income would mean denying coverage to the many individuals who enter another job after leaving a career with a pension. By contrast, the approach that became effective January 5, 1986 compels those with a pension from previous employment to pay for coverage on subsequent employment but treats pension income as earned income, so that when these workers become unemployed their benefits may be negligible or non-existent. Another possible approach would be to ignore pension income entirely. This would mean ignoring deferred income from another job, since that is how pension income is generally considered. If the mandatory retirement age were removed and pension income were ignored completely, then Unemployment Insurance could be used to finance the first year of retirement and the cost could become prohibitive.

It was recognized that those in receipt of pension income should not be discouraged from pursuing a second career. It was therefore decided to recommend treatment of pensions in two ways: the first if the pensioner is unemployed when the pension is received initially and the second if the pensioner becomes unemployed from a subsequent job. Because building up a pension is a lifetime process, any changes that might reduce pension income should be introduced only after notice of three years to those likely to be affected.

Recommendation

26 The current treatment of pension income should be rescinded with an effective date of January 5, 1986. The new policy should be announced and an implementation date of January 1, 1989 set. The new policy should be:

- that pension income received during a period of unemployment immediately following retirement from a first career would be treated as earnings when calculating Unemployment Insurance benefits for that period;
- that during future employment periods, Unemployment Insurance would provide coverage only on the difference between pension income and the lesser of the new earnings or maximum insurable earnings;
- that premiums would be calculated on the basis of insurable earnings minus pensions in pay; and
- that administratively, weekly premiums would be calculated as now, with any excess rebated via annual income tax returns.

Currently, lump-sum payments, including severance pay, vacation pay, bonuses and payments from an employee profit-sharing plan, are translated into weekly earnings and treated like earnings on claim, which are subtracted from eligible benefits. It is considered inequitable that in these cases the maximum benefit period and the amount of benefits are reduced. The major exception to this treatment of lump-sum payments is the treatment of vacation pay trust funds, which exist predominantly in the construction industry in Ontario and Quebec. In these funds, vacation entitlement is accrued and benefits are usually paid twice a year and vacation must be taken in a set time period. Individuals should not be considered as unemployed and available for work during these vacation periods.

Recommendations

27.1 Severance pay, vacation pay and lump-sum payments should be allocated to weeks, using the same formula as at present. These monies should delay but not reduce benefit entitlement. In addition, they should be considered as insurable earnings.

27.2 Recipients of benefits from vacation pay trust funds should be disentitled for the period for which vacation pay is received. This would delay but not reduce benefit entitlement.

Under the present system, if a person in receipt of benefits earns more than 25 percent of his or her benefits, then benefits are reduced by one dollar for every dollar earned above that limit. Thus, there is no financial incentive to work beyond the exemption level. Maximum work incentives should be provided to the extent that benefits and earnings together do not exceed the previous insured earnings of the individual worker.

Recommendation

28.1 Earnings while on claim should reduce benefits at a rate equal to the replacement ratio. That is, if the replacement ratio is 66 ⅔ percent, then the reduction rate should also be 66 ⅔ percent.

At present, coverage under Unemployment Insurance is limited to jobs that involve at least 15 hours of work a week or pay at least $99 a week. Part-time workers with more than one job are considered unemployed and eligible to receive benefits if they lose one job, provided it is insurable. Earnings from the job that continues are treated as earnings while on claim, however, and as a consequence, they are treated more harshly than a full-time worker with the same total insurable earnings.

Recommendation

28.2 Benefits for multiple job-holders should be calculated on the basis of total insurable earnings from all jobs. Any earnings during the benefit period should be treated as earnings on claim.

A particularly contentious issue is the provision in the current Act that makes those whose earnings are interrupted because of a labour dispute ineligible for benefits. That provision is based on the fact that the strike is voluntary and that payment of benefits to strikers would breach the principle of neutrality by making Unemployment Insurance into a form of strike fund. The present rule considers an industrial dispute to be in progress until 85 percent of the work force is recalled, even if an agreement has been ratified. Once the agreement has been ratified, these workers are no longer on strike.

Recommendation

29.1 A dispute should be considered over on the date that the collective agreement is signed, except in cases where a date for return to work is identified in a subsidiary agreement or protocol.

Employees are also considered to be ineligible for benefits in the event of a lockout by their employer, although the employees who are locked out are not voluntarily unemployed.

Recommendation

29.2 In the case of a lockout, workers should be eligible for Unemployment Insurance benefits while a collective agreement is in force.

At present, some workers who are indirectly involved in a strike are disqualified. This policy violates the principles of voluntary action and of neutrality. The present rule is that contributing to a common strike fund may lead to disqualification. Therefore, members of a local that is part of the same union are disqualified even if they did not participate in the decision to go on strike. Workers in the same plant but in a bargaining unit that is not a local of the striking union are not disqualified. This distinction may be both inequitable and illogical.

It is important to acknowledge that there may be instances where those indirectly involved in a labour dispute may receive substantial and early benefits from it. Where this is established, disqualification should follow. In such cases, there should be a right of appeal with the onus on the Commission to justify the decision.

Recommendation

29.3 Those indirectly involved in a dispute, including those who belong to the same union but are in a different local, should not be disentitled. Where there are direct, substantial and early advantages to those who are indirectly involved, they should be disentitled but that decision should be subject to appeal.

At present, workers involved in a labour dispute who take a second job are not eligible for benefits if they are laid off from that job. This practice ignores the fact that the layoff is entirely separate from the original labour dispute. This practice is not justified unless the Commission can show that the layoff was contrived in order to collect benefits.

Recommendation

29.4 In a situation where a worker is disentitled because of a labour dispute, then takes another job and is laid off, that worker should be eligible for Unemployment Insurance on the basis of the second job. In cases where claimants have earnings on claim and lose those earnings because of an industrial dispute, this should not disentitle the worker from the original claim.

Claims for sickness, maternity and adoption benefits are denied at all times during a labour dispute. These events are not related to the dispute and would have occurred whether or not the labour dispute had taken place. The provision of sickness benefits, however, must be very limited to avoid possible abuse.

Recommendation

29.5 Maternity, adoption and sickness benefits should be paid during an industrial dispute. In the case of sickness, however, benefits should be awarded only if the claimant is confined to hospital.

On strict insurance principles, voluntary quitters should not be eligible for benefits. To apply these principles would require the employer to identify those who voluntarily quit their jobs. There is, however, no extra cost to the employer in identifying the situation as a layoff, and therefore no incentive to police the system. Indeed, the employer may collude to call it a layoff rather than a resignation. Increasing the penalty might simply increase the pressure for collusion.

There is need, however, to clarify and publicize the conditions under which a person may leave a job without penalty. "Just cause" is poorly understood among claimants. There is also need to revise the rules to cover cases of "inverse seniority" in collective layoffs, when older workers by agreement may choose to be laid off. In these cases no penalty should be imposed.

Recommendation

30 The current penalty of loss of benefits for up to six weeks for voluntarily leaving a job should be retained. "Just cause" for leaving a job voluntarily should be clarified and publicized, and "inverse seniority" in a collective layoff should be included as just cause.

The requirements that recipients be engaged in job search and available for work are critical in that they determine whether a claimant is considered to be unemployed or to have left the labour force. Enforcement of the requirements should be conducted in a humane, reasonable and intelligent manner, and those attempting to start a business should not be disentitled on the grounds that they are not available for paid employment.

Recommendation

31 Job search and availability for work should continue to be essential elements in the Unemployment Insurance program.

- Criteria regarding what constitutes suitable employment should be made explicit to clients.
- The kinds of jobs claimants are required to search for should be continuously adjusted in light of the local availability of "suitable" jobs.
- Job search and availability requirements should be waived in instances of sickness and maternity, temporary layoff with assured recall, jury duty, approved training programs, and approved plans to start a small business.

Chapter 9: The Self-Employed

This chapter addresses the issue of self employment and deals in some detail with the issue of fishing benefits.

There would be almost insurmountable obstacles to providing protection to all categories of the self-employed. In cases where the individual can create the conditions which permit the collection of benefits, as the self-employed can, the degree of moral hazard presented is incompatible with Unemployment Insurance. A spouse who works on salary for a self-employed person, however, should not be excluded from coverage, except in jurisdictions where the spouse is treated as a partner under family property law.

Recommendation

32 Unemployment Insurance coverage should be extended to persons married to and working for the self-employed, in jurisdictions where under family property law spouses of business owners are not treated as partners in the business and where they are paid a salary subject to income tax.

Self-employed fishermen were included under the umbrella of Unemployment Insurance by a special amendment of the Act in 1956. The purpose was to provide income support to self-employed fishermen, particularly on the Atlantic, and to the many coastal communities that depend upon the fishery for their survival. But the fishing benefits program has problems stemming from the nature of the program, its inherent administrative difficulties, its inadequacies in meeting the needs of the fishermen whom it was intended to serve, and the obstacles that it presents to processors who need a greater supply of fish during the latter part of the season. Unemployment Insurance is neither appropriate nor adequate to meet the needs of fishermen who, through the vagaries of nature or government policy, are most in need of income supplementation.

Recommendation

33 "Part V Fishermen's Regulations" should be amended to establish a five-year maximum deadline for phasing out the eligibility of self-employed fishermen for Unemployment Insurance.

- During this five-year period, eligibility for special fishing benefits should not be extended to any new fishermen. Current Unemployment Insurance beneficiaries should be permitted to elect to receive a weekly payment during their off-season, calculated on the basis of their average entitlement over the preceding five years rather than on the current schedule of benefits.
- During this five-year period, the federal and the provincial governments involved in the fishing industry should develop and implement an income supplementation plan for all workers in relation to their need, with resources at least equivalent to those currently available for Unemployment Insurance benefits to self-employed fishermen.

Chapter 10: The Reform of Program Delivery

This chapter provides a range of proposals for improving the administration of Unemployment Insurance. They include fundamental changes in the structure of the organization and other changes that could be adopted even without the proposed reorganization. Although nominally independent, the Canada Employment and Immigration Commission is a federal body subject to the guidelines of the Treasury Board and to the personnel policies of the Public Service Commission. The two Commissioners who represent employers and employees exert minimal influence. Those who pay most of the costs through premiums have an insignificant role in the management of the program. The delivery of service appears to be directed more to serving the needs of the system rather than to responding to the needs of the clients. In short, the Commission lacks autonomy, power and authority.

Recommendation

34 A new autonomous organization, the Unemployment Insurance Commission, should be established to be the mechanism for delivering Unemployment Insurance and employment services, and it should operate at arm's length from the government.

Throughout the report, the need has been stressed for the federal government to assume leadership in the development of a comprehensive human resource development strategy. A revitalized Department of Employment and Immigration should have a broad mandate for that strategy. Whether or not all of the existing programs and functions related to human resource development are allocated to this department, coordination of these initiatives is essential.

Recommendation

35 The remaining Department of Employment and Immigration should be revitalized, with a broad mandate for human resource development.

The new Commission should function at arm's length from government, while operating subject to a revised Unemployment Insurance Act that would limit its discretion with respect to the basic features of the program and the appeal process. It would not need parliamentary appropriations, since it is proposed that it be financed entirely from premiums.

Recommendation

36 The new Unemployment Insurance Commission should be established as a parent Crown corporation under Schedule C, Part II, of the Financial Administration Act.

In order to provide an administration that will operate at arm's length from government, a board of directors with wider representation of employers and employees than at present should be appointed. This board would balance the interests of the employers and employees who jointly fund the program.

Recommendation

37 • The board of directors of the new Unemployment Insurance Commission should consist of between 13 and 21 members, and a majority of members should be selected equally from labour and from employers.

- These appointments should be made by Order in Council upon consultation with interested groups and for a fixed term of three years, with one-third of the board eligible for replacement and reappointment every year.
- The board of directors should be responsible for selection of the chairman of the board and of the chief executive officer.

It is essential that the administration of the program be more responsive to the needs and concerns of employers and employees, and that the current imbalance between a massive impersonal bureaucracy and the individual claimant be redressed.

Recommendation

38 The legislation enacting the Unemployment Insurance Commission should grant it full authority over the implementation of the program and responsibility for the delivery of services.

It is difficult to avoid the conclusion that public access to the Unemployment Insurance program has low priority, since there is widespread criticism of the lack of information provided to employers and employees on all aspects of the program. There is considerable public frustration over the difficulties of obtaining answers to questions and even of contacting the staff, whether in person or by telephone.

Recommendation

39 The Unemployment Insurance Commission should do more to inform the public, employers and employees about the program in general; about the requirements of the law, regulations and appeal process; and about the rights and responsibilities of claimants and appellants.

Rules of implementation used to deliver the program are sometimes found in the Act or the regulations, and sometimes in administrative policies or the decisions of umpires. It is the intent of the proposed changes to give the new Commission responsibility for the rules that are to be adopted in order to deliver the program. Existing rules need careful examination and evaluation. Deadlines for filing claims, for example, have important implications in terms of lost benefits. It is not clear what circumstances constitute "just cause for delay" and would allow a claim to be antedated. The onus of proof of qualification for benefits is placed on the claimant rather than this onus being on the Commission. The current rules and procedures governing appeals require the claimant to provide evidence, but give no clear guidance regarding the nature of the evidence required or what constitutes "just cause."

Claimants should be expected only to show that they have met the basic requirements for eligibility. If their request for benefits is denied, the onus should then be on the Commission to show justification for that decision. Furthermore, the Commission should provide reasonable assistance to the claimant in preparing the argument to support his or her claim.

Recommendation

40 All rules used to deliver the Unemployment Insurance program, particularly those related to filing deadlines, onus of proof and the standard of evidence, should be evaluated. Claimants should be provided with reasonable assistance in marshalling the facts necessary to support their case.

The legislation establishing a reformed Unemployment Insurance program and an autonomous Commission should reflect the simplicity and clarity requested by clients, and should permit the flexibility required to respond to the changing needs of the unemployed and to economic changes. It should identify the purpose of the program and the mandate of the Commission without attempting to foresee every possible eventuality. The role and nature of the Unemployment Insurance program and the major features of the benefit structure should be specified, but detailed rules of implementation should be left to the discretion of the Commission.

Recommendation

41 The new Unemployment Insurance Act should clearly identify the objectives of the Unemployment Insurance program, its nature and scope. Specific references should be made in the Act to:

- the principles that constitute the basis for setting premium rates and benefit levels;
- the principles that determine what is unemployment under the Act (including the interruption of earnings);
- the concept of voluntary and involuntary unemployment (including availability for work);
- the principles that determine what earnings are insurable; and
- the rights and obligations of claimants, including the right to appeal.

The Unemployment Insurance Act is complex and difficult even for jurists to understand, let alone clients and employers. The regulatory process is itself a complicated maze because of countless piecemeal changes in regulations. It is reasonable to require due notice of changes in regulations and policy that affect clients significantly.

Recommendation

42 The new Act, in delegating to the Unemployment Insurance Commission the power to issue regulations, should prescribe a manner and schedule for making these changes, so as to limit their frequency. Notice of proposed changes to regulations should be published in the media well in advance of their proposed date of implementation.

Canadian law has traditionally had an appeal system that reviews the substance and facts of the case at the first level and reviews the legal procedures and interpretation at the second level. The Unemployment Insurance appeal system is more complex. It involves an internal review plus several levels of review of the procedures. Other problems include the fact that boards of referees are not regarded by claimants as "bona fide" appeal boards, since they are not seen to function at arm's length from the Commission, do not apply standard rules of evidence, and are chaired by persons who lack the legal training or the necessary depth of understanding of the program. Furthermore, the internal review procedure is perceived as inadequate in that the staff person involved is not separate from the normal line of authority.

Recommendations

43.1 The current appeal system of a board of referees and umpire should be replaced by an Unemployment Insurance ombudsman/adjudicator's review and a board of appeal.

- The responsibilities, independence and powers of the Unemployment Insurance ombudsman/adjudicator should be specified in the Act and should include the obligation to report annually on problems in implementing the Act and interpreting statutory and regulatory provisions, and to provide pursuant recommendations.
- The board of appeal should be established to hear all first-level appeals and be empowered to review the substance of all cases. It should consist of an experienced lawyer deemed qualified for appointment to the judiciary, as presiding officer, and two assessors representing the interests of employers and employees. The board should function judicially, making full use of the adversary process and abiding by the rules of evidence.
- The function of adjudication review should be clearly separate from claims processing and benefit control.

43.2 Funding should be provided to approved groups, such as unemployment action centres, to assist both employers and employees in the appeal process. These groups and claimants should have ready access to the decisions of umpires, in order to prepare for the appeal process.

The present Act confers wide powers upon the Commission. The Commission has, for example, the power not only to impose administrative penalties but also to lay charges against the same individual or company for criminal prosecution. It has powers of search and seizure and is not obligated by law to give clients sufficient notice to allow them time to examine the documentary evidence assembled by the prosecution.

Recommendation

44.1 The Act should narrowly define the powers of enforcement of the Commission consistent with the guarantees prescribed in the Canadian Charter of Rights and Freedoms and ensure that they are necessary to the essential purposes of the program.

Because Unemployment Insurance is a compulsory program financed by a payroll tax, the public interest requires that the autonomous Commission be financially accountable and that certain rules to that end be specifically laid down in the Act.

Recommendation

44.2 The Act should ensure normal standards of accountability to Parliament for the new Unemployment Insurance Commission. Specific references should be made in the Act to:

- the permissible scope of its activities;
- the exercise of its power to borrow to finance a deficit in its fund;
- the investment of surplus funds in goverment securities;
- the accumulated rights and benefits of present employees; and
- the manner in which its power to set premium rates and vary designated features of the benefit structure should be exercised.

Unemployment Insurance, as a social insurance program, is essentially a pooling of the risk of the financial loss arising from unemployment, and is appropriately financed from contributions made by those sharing in this risk. As an insurance against the loss of wage income, it provides benefits as a right only to those who are insured. It therefore follows that the cost of benefits to individuals and the related administration costs should not be borne by the public purse, but entirely by those who are eligible to receive benefits.

Recommendation

45 The reformed Unemployment Insurance program should be financed entirely by premiums. Human resource development programs, earnings supplementation and other labour market programs should be delivered separately from the Unemployment Insurance program and should be financed from general government revenue.

The mode of allocating premiums between employers and employees reminds both parties that the system of insurance, though essential, has a cost and that each party has a share in it. An equal allocation would underline the equal importance of employers and employees in determining administrative policies.

Recommendation

46.1 Unemployment Insurance should gradually move toward allocating premiums to employers and employees on a 50:50 basis.

A federal transactions or value-added tax has implications for the collection of premiums because the premiums of employers could be assessed on the basis of total value added rather than total insurable payroll.

Recommendation

46.2 The calculation of the employer's share of Unemployment Insurance premiums should be reviewed if a value-added tax is introduced.

In setting premium rates, sudden increases in premiums in times of increasing unemployment and higher rates during the initial years of recovery have a destabilizing impact upon demand. The current practice is to set the rate on the basis of a three-year moving average. But economic cycles are irregular and formulas prescribed by legislation are seldom in tune with reality.

Recommendation

47 The proposed Unemployment Insurance Commission should be given the power to alter benefit or premium levels within given parameters defined in the new Act.

Separating the Unemployment Insurance Commission from the current Department of Employment and Immigration raises the question of where employment services should be placed. There is agreement that services to the unemployed should be provided from one office. That office should provide information regarding claims and should offer assessment and counselling services. It appears reasonable to integrate the job listing and referral system with these services. These services should be available to all of the unemployed, and should not be confined to those in receipt of benefits.

Recommendation

48 The new Unemployment Insurance Commission should continue to assume responsibility for employment services (including job placement, assessment and counselling services) for all of those who are unemployed, including those who are not receiving Unemployment Insurance benefits. An evaluation of the placement services should be undertaken and this function should either be revitalized and refocussed or cancelled.

Government reorganization is disruptive to clients and to the staff. While the separation of the Commission and the Department is an essential and fundamental change, the subsequent dislocation and potential problems of communication or duplication of services should be minimized.

Recommendation

49 Staff of the new Unemployment Insurance Commission and the federal department delivering other human resource development programs should be co-located in the existing network of Canada Employment Centres.

The Commission is a massive organization with some 28,000 employees. The size and level of the staff at both national and regional headquarters are out of proportion to the nature and value of the services that they perform. It would appear that a significant reduction in the number of staff could be achieved.

Recommendation

50 A significant reduction should be made in the number of staff at national and regional headquarters.

The Record of Employment supplied by the employer is the source of information required to determine the appropriate rate and period of benefits for a claimant. Errors in that form are the main cause of over- and underpayments of benefits, and of delays in processing claims.

Recommendation

51 The Unemployment Insurance Commission should investigate the use of a simplified wage request or wage record system to replace the current Record of Employment system.

Currently, an automated, comprehensive tracking system monitors the magnitude and causes of incorrect payments. It is designed more to determine the probability of fraud than to identify individual cases. Performance measurement is based on number of cases, not on dollar values or significance of cases. There is limited access to information on clients that is in the possession of other departments and agencies of government.

Recommendations

52 Benefit control systems should be established which cross-check data on claimants with data in other relevant government files. The Unemployment Insurance Act should be amended to permit overpayments to be recovered through offsets against other amounts owing to claimants from the goverment (e.g., income tax refunds).

53 The investigative effort of the Unemployment Insurance Commission should be focussed and improved, and cases of organized fraud should be given more attention. Performance measurement in this area should be based on dollar values in addition to the number of cases.

Conclusion

The changes to the Unemployment Insurance program, and the recommendations for an earnings supplement and other economic and human resource development programs in this report, are radical and will be controversial. It will take courage to adopt them and will take time before they can be fully implemented. The Commissioners are acutely aware of how disruptive changes may be both to individuals and to regions. Time must be permitted for full assessment of the consequences, for monitoring new developments, and for introducing modifications as circumstances change.

But there are other reasons why time is needed. Some of the major recommendations are closely interrelated. The proposed phasing-out of regionally extended benefits and of fishing benefits is dependent upon the introduction of an Earnings Supplementation Program. These proposals and the other initiatives in the human resource development strategy require consultation with provincial governments and federal-provincial agreements.

The proposed new autonomous Commission and the reorganization of the current Canada Employment and Immigration Commission will also take time, not only to implement the proposed changes but also to allow those affected to adjust to the changes. For these reasons it is urged that a transition period of four or five years be allowed in order to phase in proposals where time for adjustment is deemed to be necessary.

Appendices

Appendix A

Terms of Reference

Commission of Inquiry on Unemployment Insurance

Order in Council P.C. 1985-2162. Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by Her Excellency the Governor General on the 4th day of July, 1985.

The Committee of the Privy Council have had before it a report of the Minister of Employment and Immigration stating that:

> Whereas in response to urgent calls from many quarters for reform of the Unemployment Insurance Program, the Government of Canada announced in its November 1984 Economic Statement and May 23, 1985 Budget Statement that it would undertake a thorough review of the Program;
>
> Whereas the Program is so large, so complex and impacts on Canadians so directly and in so many different ways, that any changes are bound to be far reaching;
>
> And Whereas, since the Program is in large part financed by premiums from employers and employees, it is vital that these financing partners play a major role in the review to ensure that a thorough and impartial reexamination of the Program be undertaken and that changes be introduced only after the views of Canadians from all walks of life have been taken into consideration;

it is desirable that an inquiry be made into the Unemployment Insurance Program.

The Committee, therefore, on the recommendation of the Minister of Employment and Immigration advises that, pursuant to Part I of the Inquiries Act, a Commission do issue appointing Claude Forget, Partner, Secor Inc., Roy Bennett, Esquire, John Munro, President, Regional Council #1, International Woodworkers, Frances Soboda, President, Local 4253, United Steelworkers of America and Vice-President, the Nova Scotia Federation of Labour, Moses Morgan, President Emeritus, Memorial University and Guylaine Saucier, President, Produits Forestiers-Saucier, as Commissioners to inquire into the role of the Unemployment Insurance Program within the context of the Canadian social security system, as a means of improving the operation of labour markets in Canada, supporting more effectively Canada's economic development, ensuring the equitable financing of the Program and providing new and better opportunities for Canadians experiencing temporary unemployment by:

(a) examining, in relation to the Program, the appropriateness and adequacy of
  (i) the coverage and conditions of insurability, entitlement, and eligibility,
  (ii) the benefit structure,
  (iii) the funding by employers, employees and the Government of Canada of the various components of the Program,
  (iv) the respective proportions of the cost of the Program that are borne by employers, employees and the Government of Canada,
  (v) the developmental uses of the Unemployment Insurance Account for the purposes set out in sections 37, 38 and 39 of the Unemployment Insurance Act, 1971, and
  (vi) any other aspects of the Program that may be raised during the course of the inquiry; and

(b) inquiring into
  (i) means to respond to deficiencies in the Program,
  (ii) ways in which the Program may be used to further re-entry into and adjustment to the labour market of claimants,
  (iii) changes to requirements to be met by claimants in order to receive benefit, and
  (iv) administrative measures to be taken to maintain or improve the integrity of the Program;

and to report on the findings of the inquiry.

In making the inquiry and report, the Commissioners shall give particular attention to:

(i) the views of employers and employees referred to in paragraph (a) and of associations representing those employers and employees, on the matters referred to in paragraphs (a) and (b), and

(ii) any recommendations and findings of the Royal Commission on the Economic Union and Development Prospects for Canada that relate to the Unemployment Insurance Program.

The Committee further advises that:

1 the Commissioners be authorized to adopt such procedures and methods as they may from time to time consider expedient for the conduct of the inquiry;

2 the Commissioners be authorized to sit at such times and in such places inside Canada as they may consider necessary for the purposes of the inquiry;

3 the Commissioners be authorized to travel outside Canada, where in the opinion of the Chairman of the Commission, it is necessary to do so, to gather information or otherwise to fulfil the purposes of the Commission;

4 the Commissioners be authorized to engage the services of such consultants, researchers, technical advisers, or other experts, clerks, reporters and assistants, as they consider necessary or advisable, and also the services of counsel, to aid them in the conduct of the inquiry at such rates of remuneration and reimbursement as may be approved by Treasury Board;

5 the Commissioners be assisted by the officers and employees of the departments and agencies of the Government of Canada in any way the Commissioners may require for the conduct of the inquiry;

6 the Commissioners be authorized, in cooperation with the Department of Public Works, to rent office space and space facilities for public hearings as they may consider necessary at such rental rates as are consistent with the policies of the Department of Public Works;

7 the Commissioners be directed to report to the Governor General in Council not later than March 31, 1986;

8 the Commissioners be directed to file with the Dominion Archivist the records of the Commission as soon as possible after the conclusion of the inquiry;

9 the Commissioners be known as the Commission of Inquiry on Unemployment Insurance; and

10 Claude Forget be designated as Chairman of the Commission of Inquiry on Unemployment Insurance.

P.C. 1986-730

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by Her Excellency the Governor General on the 26th day of March, 1986.

The Committee of the Privy Council, on the recommendation of the Minister of Employment and Immigration and the Treasury Board, pursuant to Part I of the Inquiries Act, advise that the commission establishing the Commission of Inquiry on Unemployment Insurance, issued pursuant to Order in Council P.C. 1985-2162 of the 4th July, 1985, be amended by deleting therefrom the following paragraph:

> "AND WE DO HEREBY direct Our Commissioners to report to the Governor General in Council not later than March 31, 1986;"

and substitute therefor the following paragraph:

> "AND WE DO HEREBY direct Our Commissioners to report to the Governor General in Council not later than September 30, 1986."

P.C. 1986-2256

The Committee of the Privy Council, on the recommendation of the Minister of Employment and Immigration and the Treasury Board, pursuant to Part I of the Inquiries Act, advises that the commission establishing the Commission of Inquiry on Unemployment Insurance, issued pursuant to Order in Council P. C. 1985-2162 of 4th July, 1985, as amended pursuant to Order in Council P.C. 1986-730 of 26th March, 1986, be further amended by deleting therefrom the following paragraph:

> "AND WE DO HEREBY direct our Commissioners to report to the Governor General in Council not later than March 31, 1986;"

and substituting therefor the following paragraph:

> "AND WE DO HEREBY direct our Commissioners to report to the Governor General in Council not later than November 30, 1986."

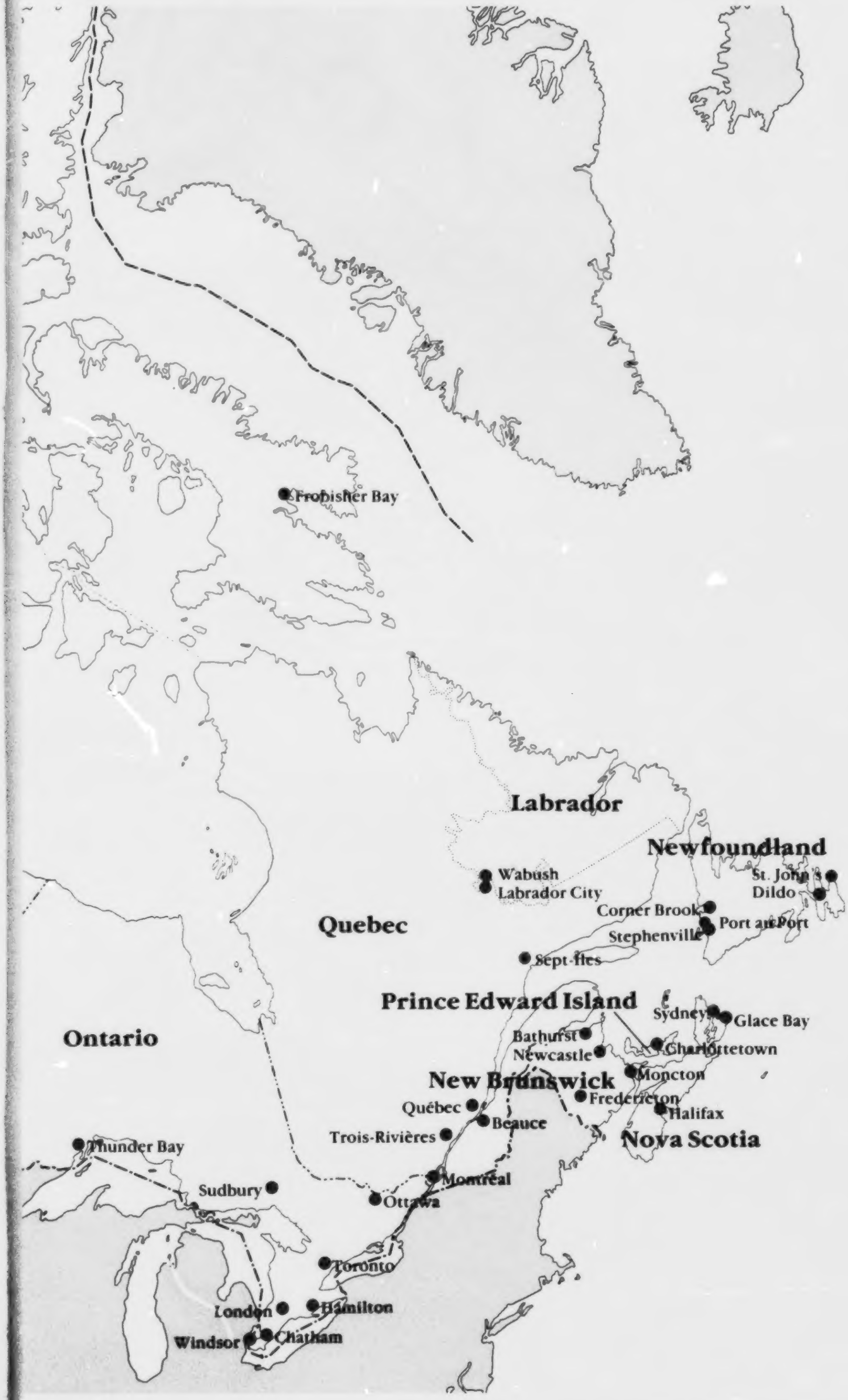
Appendix B Where We Went

Appendix B Where We Went

Public hearings and meetings

October 28, 1985	Winnipeg, Manitoba
November 4, 1985	Whitehorse, Yukon
November 6, 1985	Yellowknife, Northwest Territories
November 13, 1985	Moncton, New Brunswick
November 14, 1985	Fredericton, New Brunswick
November 14, 1985	Bathurst, New Brunswick
November 15, 1985	Newcastle, New Brunswick
November 18, 1985	St. John's, Newfoundland
November 20, 1985	Glace Bay, Nova Scotia
November 21, 1985	Halifax, Nova Scotia
November 29, 1985	Edmonton, Alberta
December 2, 1985	Calgary, Alberta
December 3, 1985	Regina, Saskatchewan
December 4, 1985	Regina, Saskatchewan
January 6, 1986	Vancouver, British Columbia
January 7, 1986	Vancouver, British Columbia
January 8, 1986	Vancouver, British Columbia
January 9, 1986	Prince Rupert, British Columbia
January 9, 1986	Castlegar, British Columbia
January 9, 1986	Duncan, British Columbia
January 10, 1986	Victoria, British Columbia
January 10, 1986	Prince George, British Columbia
January 13, 1986	Charlottetown, Prince Edward Island
January 14, 1986	Québec, Quebec
January 16, 1986	Montréal, Quebec
January 17, 1986	Montréal, Quebec
January 27, 1986	Thunder Bay, Ontario
January 27, 1986	Sudbury, Ontario
January 28, 1986	Toronto, Ontario
January 29, 1986	Toronto, Ontario
January 30, 1986	Toronto, Ontario
January 31, 1986	Windsor, Ontario
January 31, 1986	Hamilton, Ontario
January 31, 1986	London, Ontario
February 11, 1986	Ottawa, Ontario
February 12, 1986	Ottawa, Ontario
February 13, 1986	Ottawa, Ontario
February 14, 1986	Ottawa, Ontario
February 15, 1986	Ottawa, Ontario

Dawson City
Yukon
Whitehorse
Northwest Territories
Fort Simpson
Rae Edzo
Yellowknife
Prince Rupert
Alberta
Prince George
Saskatchewan
Thompson
British Columbia
Edmonton
Manitoba
Duncan
Vancouver
Victoria
Castlegar
Calgary
Regina
Winnipeg


Frobisher Bay
Labrador
Newfoundland
Wabush
Labrador City
St. John's
Dildo
Corner Brook
Port au Port
Stephenville
Quebec
Sept-Îles
Prince Edward Island
Sydney
Glace Bay
Bathurst
Newcastle
Charlottetown
Ontario
New Brunswick
Moncton
Fredericton
Halifax
Québec
Beauce
Trois-Rivières
Nova Scotia
Thunder Bay
Sudbury
Montréal
Ottawa
Toronto
London
Hamilton
Windsor
Chatham

Field trips, round-table discussions and consultations

October 29, 1985	Winnipeg, Manitoba
October 30, 1985	Thompson, Manitoba
November 4, 1985	Dawson City, Yukon
November 5, 1985	Fort Simpson, Northwest Territories
November 6, 1985	Rae Edzo, Northwest Territories
November 14, 1985	Bathurst, New Brunswick
November 15, 1985	Fredericton, New Brunswick
November 15, 1985	Newcastle, New Brunswick
November 19, 1985	Stephenville, Newfoundland
November 19, 1985	Port au Port, Newfoundland
November 19, 1985	Corner Brook, Newfoundland
November 19, 1985	Dildo, Newfoundland
November 19, 1985	Wabush, Labrador City, Labrador
November 20, 1985	Sydney, Nova Scotia
November 22, 1985	Halifax, Nova Scotia
November 28, 1985	Edmonton, Alberta
December 2, 1985	Calgary, Alberta
January 9, 1986	Duncan, British Columbia
January 9, 1986	Prince Rupert, British Columbia
January 10, 1986	Prince George, British Columbia
January 15, 1986	Sept-Îles, Quebec
January 15, 1986	Beauce, Quebec
January 15, 1986	Trois-Rivières, Quebec
January 27, 1986	Thunder Bay, Ontario
January 27, 1986	Sudbury, Ontario
January 31, 1986	Toronto, Ontario
January 31, 1986	Chatham, Ontario
January 31, 1986	Windsor, Ontario
February 3, 1986	Toronto, Ontario
February 10, 1986	Ottawa, Ontario
March 11, 1986	Frobisher Bay, Northwest Territories

Appendix C

List of Participants and Submissions

Many individuals and organizations contributed to our work, through briefs presented at public hearings, through discussions during informal meetings and field trips, as well as through letters received at our offices. Our thanks go to all of them and to the communities visited.

Presentations at public hearings

Some people who came to the hearings also submitted written briefs, and their names are marked with an asterisk*.

Alberta

Calgary, December 2, 1985

Aitcheson, Jim
Alberta Chamber of Commerce*
Alberta Federation of Labour*
Calgary Chamber of Commerce*
Calgary Labour Council*
Calgary Personnel Association*
Canadian Petroleum Association*
Garvin, Terry
Hart, Harris*
International Brotherhood of Electrical Workers, Local 254*
Meyer, Jack L.*
Murphy, Sheila
Parry, Wayne
Radke, David*
Roy, Edmond*
Royal Canadian Mounted Police Veterans' Association, Calgary Division*
Southern Alberta Building and Construction Trades Council*
Stumpf, Harley
Van Bostelen, Martin

Edmonton, November 29, 1985

Alberta Teachers' Association*
Berg, Carl
Bolstad, Allan*
Canada Employment and Immigration Union, Alberta/NWT Region*
City of Edmonton, Social Services Department*
Communitas Inc.*
Construction Labour Relations*
Dandelion Group*
Doering, Peter*
Edmonton Chamber of Commerce*
Jannohamed, Sam
Northern Alberta and Northwest Territories (District of Mackenzie) Building and Construction Trades Council*
Personnel Association of Edmonton*
Robertson, Dorrell*

British Columbia

Vancouver, January 6, 1986

British Columbia Chamber of Commerce*
British Columbia Federation of Labour, Unemployment Action Centre*
British Columbia Government Employees Union*
Broome, Doug
Business Council of British Columbia*
Canada Employment and Immigration Union*
Capilano College Faculty Association*
College-Institute Educators' Association of British Columbia*
Confederation of Canadian Unions*
International Woodworkers of America*
Overall, Randy
Unitarian Church of Vancouver, Unemployment Sub-Committee*
United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada, Local Union 170*
United Fishermen and Allied Workers' Union, Local 31*
Vancouver Unemployment Action Centre*

Vancouver, January 7, 1986

Ash, Cecil
British Columbia and Yukon Territory Council of the Canadian Federation of Labour*
British Columbia Council of the Confederation of Canadian Unions*
British Columbia Federation of Labour*
British Columbia Forest Products Ltd.*
British Columbia Provincial Council of Carpenters*
Canadian Association of Industrial, Mechanical and Allied Workers*
Canadian Farmworkers' Union*
Canadian Union of Public Employees, British Columbia Division*
Carling, Mike
Elliot, Lorne
Gariepy, Richard
Hayter, Mavis*
International Brotherhood of Electrical Workers, Local 213*
Jackson, Larry*
Kaminski, Albert
Management and Professional Employees Society of B.C. Hydro*
Marine Workers' and Boilermakers' Industrial Union, Local No. 1*
Moyle, Barbara
National Anti-Poverty Organization*
Office and Technical Employees' Union*
Scott, Beverley J.*
Social Planning and Review Council of British Columbia*
Vancouver Board of Trade*
Vancouver, New Westminster and District Building and Construction Trades Council*
Vlahovic, Jack
Wilkinson, Norman

Vancouver, January 8, 1986

British Columbia and Yukon Territory Building and Construction Trades Council*
British Columbia and Yukon Territory Building Trades Training Co-ordinators Committee*
Burnaby Unemployment Action Centre*
Carpentry Apprenticeship Joint Board of British Columbia
Cinnamon, Reid
End Legislated Poverty*
Jobs or Income Now Coalition
Kamloops Unemployment Guidance Centre*
Kroll, Barbara*
Marsh, Don N.*
Shayler, John
Solidarity Coalition*
Surrey Regional Chamber of Commerce*
Unemployed Teachers' Action Centre*
Unemployment Insurance Working Group*
Vancouver and District Labour Council*
Vancouver and District Public Housing Tenants' Association*
Vancouver Island Building and Construction Trades Council*

Victoria, January 10, 1986

Association of British Columbia Professional Foresters*
Campbell River, Courtenay and District Labour Council*
Committee of the Unemployed*
Côté, Serge
Cracknell, Pat
First Nations of South Island Tribal Council*
Gray, Leslie
Hutcheson, Paul
Kiess, Viola
Krueger, Lawrence*
Manly, Jim (MP, Cowichan–Malahat–The Islands)*
Ouellet, John
Port Alberni and District Labour Council*
Touchstone Committee*
Unemployed Workers' Centre*
Victoria and District Labour Council*
Victoria Chamber of Commerce*
Women for Economic Survival*

Manitoba

Winnipeg, October 28, 1985

Community Unemployed Help Centre*
Emberley, Kenneth*
Government of Manitoba, Department of Employment Services and Economic Security*
Manitoba Federation of Labour*
Manitoba Teachers' Society*
Social Planning Council of Winnipeg*
Winnipeg Chamber of Commerce*
Winnipeg Labour Council*

New Brunswick

Bathurst, November 14, 1985

Association des pêcheurs professionnels acadiens inc., Shippagan*
Blanchard, Mathilda
Brunswick Mining and Smelting – Bathurst
Chaleur Regional Industrial Commission
City of Bathurst
New Brunswick Association of Métis and Non-Status Indians
New Brunswick International Paper Forest Products Inc. – Dalhousie
North Shore Forest Products Marketing Board – Bathurst
Unemployed Workers' Union

Fredericton, November 14, 1985

Canada Employment and Immigration Union*
Fredericton Anti-Poverty Organization
Government of New Brunswick*
Northumberland County Truckers' Association*

Moncton, November 13, 1985

Conseil du travail, péninsule du nord-est du Nouveau-Brunswick*
Greater Moncton Chamber of Commerce*
Kent North Truckers Association*
McKee, Mike (MLA, Moncton North)*
Moncton and District Labour Council*
New Brunswick Federation of Labour*

Newcastle, November 15, 1985

Carter, Jerry
Cercle français
Comeau, Mr.
Greater Miramichi Chamber of Commerce
Heath Steele Mines Limited
Maritime Fishermen's Union
Miramichi Pulp and Paper – Woodlands Organization
Miramichi Regional Development Corporation
Miramichi Unemployed Workers Union
Newcastle–Chatham District Labour Council
Town of Newcastle
Vandijk, Viola
Village of Rogersville
Women's Centre – Chatham

Newfoundland

St. John's, November 18, 1985

Coalition for Equality*
Decker, Chris (MHA, Strait of Belisle)
Fishermen's Union, Local 1252*
Lush, Tom (MHA, Bonavista North)*
Newfoundland and Labrador Federation of Labour*
Newfoundland Teachers' Association*
Provincial Advisory Council on the Status of Women*
St. John's and District Labour Council*
St. John's Board of Trade*
St. John's Status of Women Council*

Northwest Territories

Yellowknife, November 6, 1985

Cominco
Northwest Territories Chamber of Mines
Northwest Territories Federation of Labour*
Yellowknife Chamber of Commerce*

Nova Scotia

Glace Bay, November 20, 1985

Canadian Seafood and Allied Workers' Union, Local 116*
Cape Breton Island Building and Construction Trades Council*
Kowalski, Barbara
Maritime Fishermen's Union
O'Neill, Bennie
Paquette, James
United Mine Workers of America
Walsh, Gus

Halifax, November 21, 1985

City of Halifax, Social Planning Department*
Halifax Board of Trade*
Kerans, Pat*
Mainland Nova Scotia Building and Construction Trades Council*
Metro Action Committee for Employment*
Nova Scotia Federation of Labour*
Truckers' Association of Nova Scotia*
Wood, Charmaine*

Ontario

Hamilton, January 31, 1986

Arnold, Ben

Burlington Chamber of Commerce*
Canadian Association of Movers*
Cochrane, Edith
Community College Teachers
Copps, Sheila (MP, Hamilton East)*
Cronkwright Transport Limited*
Fraser, Barry*
Hamilton and District Chamber of Commerce*
Hamilton–Brantford, Ontario Building and Construction Trades Council*
McCall, Peter
Michalec, H.
National Committee for Independent Canadian Unions*
O'Connor, Terry
Ontario Provincial Council of Labour*
Steylen, Ann*
Strobl, Edward
United Steelworkers of America, Hamilton Area Council*
United Steelworkers of America, Local 1005*
United Steelworkers of America, Local 8995, Simcoe*
Voss, Susan*
Weszely, Paul
Wright, Timothy G.*

London, January 31, 1986

County of Bruce, Social Services*
Dow, Muriel*
Guetter, John*
Jefferson, James Earl*
London and District Labour Council*
London Unemployment Help Centre
Snyder, Grigg

Ottawa, February 11, 1986

Berger, David (MP, Laurier)*
Building and Construction Trades Department AFL/CIO*
Canada Employment and Immigration Union*
Canadian Conference on the Arts*
Canadian Federation of Independent Business*
Canadian Federation of Labour*
Canadian Paperworkers Union*
Canadian Railway Labour Association*
Canadian Teachers' Federation*
CUSO (Canadian University Services Overseas)*
Department of National Defence*
Kroeker, John*
MacDonnell, Sandy
Mining Association of Canada*
National Council of Women of Canada*
Regional Municipality of Ottawa–Carleton*
Sutter, Stewart*

Ottawa, February 12, 1986

Brewster, Doug
Caccia, Hon. Charles (MP, Davenport)*
Canadian Conference of Teamsters*
Canadian Construction Association*
Canadian Dump Truckers Federation*
Canadian Labour Congress*
Canadian Shipbuilding and Ship Repairing Association*
Corbett, Harold
Crosby, Howard (MP, Halifax West)
Federated Women's Institutes of Canada*
Fédération des travailleurs et travailleuses du Québec*
Frith, Hon. Douglas C. (MP, Sudbury)*
Labourers' International Union of North America*
Lavoie, Gaston*
Mechanical Contractors Association of Canada*
National Anti-Poverty Organization*
New Democratic Party Caucus*
Nowlan, Patrick (MP, Annapolis Valley–Hants)*
Ontario Secondary School Teachers' Federation*
Rockburne, Ed
Rompkey, Hon. William (MP, Grand Falls–White Bay–Labrador)*

Ottawa, February 13, 1986

Canadian Conference of Catholic Bishops*
Canadian Forestry Service*
Canadian Pulp and Paper Association*
Canadian Textiles Institute*
Canadian Union of Public Employees, National Office*
Cassidy, Michael (MP, Ottawa Centre)*
Eldon, Jean E.*
Lewis, Doug (MP, Simcoe North)*
Local Agricultural Employment Advisory Board, Ottawa Valley*
Local Agricultural Employment Advisory Board, Stormont–Dundas*
Machinery and Equipment Manufacturers' Association*
Mouvement socialiste du Québec*
National Council of YMCAs of Canada*
National Union of Provincial Government Employees*

OPCAN*
Social Planning Council of Ottawa–Carleton*
3rd Dimensions and Associates (1973) Ltd.*
United Food and Commercial Workers Union*
United Steelworkers of America*
William M. Mercer, Limited*

Ottawa, February 14, 1986

Alliance autochtone du Québec
Canada Employment and Immigration Advisory Council*
Canadian Artists' Representation (CARFAC)*
Canadian Council on Social Development*
Canadian Hospital Association*
Canadian Police Association*
Chiasson, Alfred
Economists, Sociologists and Statisticians Association*
Federal Superannuates National Association*
Fédération des femmes du Québec*
International Longshoremen's Association*
Native Council of Canada*
Ontario Métis and Non-Status Indians' Association*
Public Service Alliance of Canada*

Ottawa, February 15, 1986

Fortier, Guy*
James Bay Cree Corporation*
Mouvement action chômage de l'Outaouais
Ottawa Board of Education*
Royal Canadian Mounted Police*
Unemployment Help Centre, Kingston*

Sudbury, January 27, 1986

Borsato, Mario
Corporation of the City of North Bay, Department of Social Services*
Lane, Arja*
McLean, Harvey*
N'Swakamok Native Friendship Centre*
Pastoral Institute of Northern Ontario*
Regional Municipality of Sudbury*
Rodriguez, John (MP, Nickel Belt)
Roy, Claude*
St-Pierre, Ronald*
Sudbury and District Chamber of Commerce*
Sudbury Mine, Mill and Smelter Workers Union, Local 598*
Sudbury Multicultural-Folk Arts Association*
United Steelworkers of America, Local 6500*
Van Embden, R.*
Watts, Jim

Thunder Bay, January 27, 1986

Angus, Iain (MP, Thunder Bay–Atikokan)*
Bayne, Francis W.*
Brotherhood of Railway and Airline Clerks*
Browning-Ferris Industries Ltd.*
Clatworthy, Douglas
Communist Party of Canada, Northwest Ontario Regional Committee*
Epp, Ernie (MP, Thunder Bay–Nipigon)*
Kam Theatre*
Kinna-Aweya Legal Clinic*
Ontario–Manitoba Primary Council of the Canadian Paperworkers Union*
Thunder Bay Council of Retirees*
United Steelworkers of America, Local 5055*

Toronto, January 28, 1986

Benetech Canada Inc.*
Board of Trade of Metropolitan Toronto*
Canadian Actors' Equity Association*
Canadian Federation of Students, National Graduate Council*
Canadian Paraplegic Association*
Communist Party of Canada, Central Executive Committee*
de Cunha, Rui
Elias, Colin
International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)*
Kitchener–Waterloo and District Community Industrial Training Committee*
Madsen, Jay S.*
McCormick, Mary
Micallef, Captain James
National Action Committee on the Status of Women*
National Citizens' Coalition*
Ontario Federation of Labour*
Ontario Nurses' Association*
Ontario Police Association
Organization of Canadian Symphony Musicians*
Professional Association of Canadian Theatres
Retail Council of Canada*
Social Planning Council of Oshawa–Whitby*

Toronto, January 29, 1986

Alliance of Canadian Cinema, Television and Radio Artists*
Amalgamated Clothing and Textile Workers Union*
Canadian Electrical Distributors Association*
Canadian Farm Labour Pools
Canadian Organization of Small Business*
Canadian Payroll Association*
Canadian Restaurant and Foodservices Association*
Canadian School Trustees' Association*
Heap, Dan (MP, Spadina)*
Holjevac, Mike
INCO Limited*
Klein, George*
Labour Council of Metropolitan Toronto*
McCue, Mike
Social Planning Council of Kitchener–Waterloo*
Social Planning Council of Metropolitan Toronto*
Toronto Legal Clinics' Unemployment Insurance Workgroup*
Toronto Union of Unemployed Workers*
United Electrical, Radio and Machine Workers of Canada*

Toronto, January 30, 1986

Axe, Mr. and Mrs. Lawrence*
Berwick Ferguson Payroll Canada Ltd.*
Brewery, Flour and Cereal Workers
Canada Employment and Immigration Union*
Canadian Bankers' Association*
Canadian Chamber of Commerce*
Canadian Congress for Learning Opportunities for Women*
Canadian Forces Retirees
Canadian Hearing Society*
Canadian Institute of Actuaries*
Canadian Manufacturers' Association*
Church and Community: Partners for Employment*
Etobicoke Advisory Committee on Unemployment*
Federation of Temporary Help Services*
Independent Artists' Union*
Ontario Coalition for Better Day Care*
Ontario English Catholic Teachers' Association*
Ontario Public Service Employees Union*
Ontario Public Service Employees Union, Local 595*
Ontario Trucking Association*
Rexdale Planning*
Royal Canadian Mounted Police Veterans' Association*
United Auto Workers, Local 707*
United Church of Canada, National Working Group on the Economy and Poverty*
Waterloo, Wellington, Dufferin and Grey, Building and Construction Trades Council*

Windsor, January 31, 1986

Commissioner of Social Services, City of Windsor
Essex and Kent Counties Building and Construction Trades Council*
Mayor's Committee on Employment Opportunities and Services to the Unemployed*
Sarnia and District Labour Council*
Unemployed Help Centre of Windsor*
Windsor and District Labour Council*
Windsor Youth Employment Counselling Centre*

Prince Edward Island

Charlottetown, January 13, 1986

Action Commission of the Roman Catholic Diocese of Charlottetown
Atlantic Provinces Chamber of Commerce*
Binns, Pat (MP, Cardigan)*
Construction Association of Prince Edward Island*
Government of Prince Edward Island*
Latin American Mission Program*
MacAusland, Colin*
Maritime Fishermen's Union*
Prince Edward Island Federation of Labour*
Prince Edward Island Fishermen's Association*
Prince Edward Island Opposition Caucus*
Prince Edward Island Truckers' Association*
Roberts, Hugh D.*
Wood Product Manufacturers Association of Nova Scotia*

Québec

Montréal, January 16, 1986

Benoit, Annette
Centrale de l'enseignement du Québec*
Centrale des syndicats démocratiques*
Commission des services juridiques*
Conseil conjoint numéro 91 des teamsters du Québec*
Conseil consultatif canadien sur la situation de la femme

Conseil provincial du Québec des métiers de la construction (International)*
de Romana, Alfredo
Forte, Angelo*
Hughes, Frank*
Jacques, Jean-Paul*
Martineau, Serge*
Mouvement action chômage de Montréal inc.*
Office diocésain de pastorale ouvrière et sociale*
Poirat, Gustave*
Société de ressources communautaires de Brandon*
Solidarité populaire Québec*
Syndicat de l'emploi et de l'immigration du Canada, région du Québec*
Union des artistes*

Montréal, January 17, 1986

Action-travail des femmes*
Association des femmes collaboratrices*
Beaudoin, Gaston
Chambre de commerce du Québec*
Comité socio-économique des Îles-de-la-Madeleine*
Confédération des syndicats nationaux (CSN)*
Conseil du patronat du Québec*
Fédération des travailleurs du papier et de la forêt (CSN)*
Mouvement action chômage de Trois-Rivières*
Syndicat des techniciennes et techniciens du cinéma du Québec*
Visual Planning Corporation*

Québec, January 14, 1986

Action chômage Kamouraska, inc.
Confédération des syndicats nationaux (CSN)*
Fédération des syndicats du secteur aluminium inc.*
Mouvement action chômage de Québec inc.*
Réseau d'action et d'information pour les femmes (RAIF)*
Vaillancourt, Jean-Paul

Saskatchewan

Regina, December 3, 1985

Canada Employment and Immigration Union*
Canadian Congress for Learning Opportunities for Women*
Irwin, Gordon*
Krempien, Brian*
Regina Chamber of Commerce*
Saskatchewan Action Committee on the Status of Women*
Saskatchewan Association on Human Rights*
Saskatchewan Federation of Labour*
Western Grain Elevator Association*

Regina, December 4, 1985

Bauman, Gail*
Committee Against Poverty*
Community Service Employment Co-operative of Regina*
Labourers' International Union of North America*
Riches, Graham*
Saskatchewan Chamber of Commerce*
Saskatchewan Community Colleges Trustees Association*
Ternowetsky, Gordon*

Yukon

Whitehorse, November 4, 1985

Armstrong, Irwin*
Council for Yukon Indians
Mauro, Jennifer
Millard, Ron
Whitehorse Chamber of Commerce
Williams, Hughie
Yukon Chamber of Mines
Yukon Federation of Labour
Yukon Visitors' Association

Written submissions

Alberta

Alberta Chamber of Commerce, Edmonton
Alberta Federation of Labour, Edmonton
Alberta Federation of Police Associations, Calgary
Alberta Institute of Microcomputing, Edmonton
Alberta Provincial Pipe Trades Association, Edmonton
Alberta Teachers' Association, Edmonton
Anderson, G.H., Edmonton
Aries Geo-Data Corporation, Calgary
Armstrong, Ralph, Edmonton
Art of Winningness, Calgary
Beecher, Barbara E., Calgary
Bergevin, Dianne, Leduc
Blais, Marie, Grande Prairie
Bolstad, Allan, Edmonton
Bradley, Noreen T., Edmonton

Bruce, David, Grande Prairie
Byers, Henry, Calgary
Calgary Chamber of Commerce
Calgary Labour Council
Calgary Personnel Association
Canada Employment and Immigration Union, Alberta/NWT Region, Edmonton
Canadian Pension Equality Foundation, Calgary
Canadian Petroleum Association, Calgary
City of Calgary
City of Edmonton, Social Services Department
Clarke, Sandra, Barrhead
Coal Association of Canada, Calgary
Communitas Inc., Edmonton
Construction Labour Relations, Edmonton
Cormier, Paul R., Calgary
Cote, Joyce, Calgary
County of Strathcona, No. 20, Sherwood Park
Coyle, Garry G., Lethbridge
Dandelion Group, Edmonton
Doering, Peter, Edmonton
Druhall, John, Calgary
E & E Containers (1979) Ltd., Calgary
Edmonton Chamber of Commerce
Edmonton West Progressive Conservative Association Policy Committee
Edwards, Jim, MP, Edmonton South
Eggens, Bert, Sherwood Park
Fisher, A.J., Edmonton
Fletcher, Greg, Calgary
Ghosh, N., Fort McMurray
Gibson, Keith, Bluffton
Government of Alberta, Edmonton
Greene, John, Edmonton
Guckert, A., Drumheller
Hamilton, Vivian, Grande Prairie
Hart, Harris, Calgary
Hudson, A.W., Rocky Mountain House
International Association of Heat and Frost Insulators and Asbestos Workers, Local 110, Edmonton
International Brotherhood of Electrical Workers, Local 254, Calgary
International Brotherhood of Electrical Workers, Local 424, Edmonton
James, B.G., Edmonton
Jarman, W.L., Edmonton
Jonsson, Diane, Edmonton
Kaplain, Florence, Edmonton
Kobley, John L., Calgary
Koehler, U., Peace River
Krisher, Glenn, Barrhead
Labourers International Union, Construction and General Workers, Local Union No. 1111, Calgary
Laebon Development Limited, Red Deer
L'Heureux, Louise, Joussard
Malone, Arnold, MP, Crowfoot
Marcellus, Pat, Calgary
Meyer, Jack L., Calgary
Moon, Gayle, Grande Prairie
Morey, Ruth T., Edmonton
Newcombe, Valerie, Edmonton
Northern Alberta and Northwest Territories (District of Mackenzie) Building and Construction Trades Council, Edmonton
Olsen, Roy, Medicine Hat
Parnwell, L., Edmonton
Pederson, Ruth E., Sherwood Park
Personnel Association of Edmonton
Pittman, Peter R.J., Calgary
Plourde, Patrick, Rycroft
Plypick, N.A., Edmonton
Puzey, Matthew, Red Deer
Radke, David, Calgary
Robertson, Dorrell, Edmonton
Robinson, Wendy, Edmonton
Roy, Edmond, Calgary
Royal Canadian Mounted Police Veterans' Association, Calgary Division
Royal Canadian Mounted Police Veterans' Association, Lethbridge Division
Rysdyk, J.R., Calgary
Sauter, Charles D., Calgary
Servpro Cleaning Ltd., Calgary
Simms, Norma, Calgary
Southern Alberta Building and Construction Trades Council, Calgary
Taylor, Gordon E., MP, Bow River
Tosh, Vivian, Grimshaw
University of Alberta, Edmonton
Westersund, Donald A., Elnora
Wilson, L.L., Grimshaw
Wilson, Margaret, Edmonton
Woytkiw, Emily, Mundare
YWCA, Calgary

British Columbia

Ability Personnel Association, Victoria
Adey, J.K., Kelowna

Alnos, Bob, Vancouver
Alton, James R., Oliver
Arnison, L., Port Coquitlam
Association of British Columbia Professional Foresters, Vancouver
Aten, Wilma C., Campbell River
Bachmeier, A., Port Alberni
Barnett, Wendy, Prince George
Bibby, John, Crawston
Bingley, K., Coquitlam
Board of School Trustees, School District No. 50, Queen Charlotte City
Boehmer, Herbert J., Westbank
Boyle, E.F., Vancouver
Brisco, Bob, MP, Kootenay West
British Columbia and Yukon Territory Building and Construction Trades Council, Burnaby
British Columbia and Yukon Territory Building Trades Training Co-ordinators Committee, Vancouver
British Columbia and Yukon Territory Council of the Canadian Federation of Labour, Burnaby
British Columbia Chamber of Commerce, Vancouver
British Columbia Construction Association, Victoria
British Columbia Council of the Confederation of Canadian Unions, New Westminster
British Columbia Federation of Labour, Unemployment Action Centre, Burnaby
British Columbia Forest Products Ltd., Vancouver
British Columbia Government Employees Union, Burnaby
British Columbia Government Employees Union, Prince George
British Columbia Provincial Council of Carpenters, Vancouver
Brooke, Mary, Victoria
Buckberry, A., Surrey
Building and Construction Trades Group, Cranbrook
Burnaby Unemployment Action Centre
Business Council of British Columbia, Vancouver
"By Wave" Fresh-Frozen Seafoods, Prince Rupert
Campbell River, Courtenay and District Labour Council, Campbell River
Canada Employment and Immigration Union, British Columbia and Yukon Territory Region, Burnaby
Canadian Association of Industrial, Mechanical and Allied Workers, New Westminster
Canadian Farmworkers' Union, Burnaby
Canadian Union of Public Employees, British Columbia Division, Burnaby
Capilano College Faculty Association, North Vancouver
Carlson, A.G., Revelstoke
Carter, Dave, Castlegar
Castlegar and District Unemployment Action Centre
CMS Self Help Centre, Shawinigan Lake
Coffin, Alison Kim, Fruitvale
College-Institute Educators' Association of British Columbia, Vancouver
Collier, Thomas A., Quesnel
Committee of the Unemployed, Campbell River
Community Law Centre, Nanaimo
Comox Valley UIC Appeal Group
Confederation of Canadian Unions, Vancouver
Corporation of the Village of Lake Cowichan
Craigen, Jim, Williams Lake
Cranbrook Unemployment Action Centre
Crawford, Andrew B., Ladysmith
Cruickshank, A., Vancouver
Cummings, J.D., Victoria
Dawson Creek and District Chamber of Commerce
Dawson, James Paul, Lower Nicola
Dilts, A.W., Cranbrook
Downey, K.J., Westbank
East-West Kootenay, Building and Construction Trades Group, Cranbrook
End Legislated Poverty, Vancouver
Evens Group, Human Resource Council, Richmond
Ferguson, William, Sardis
First Nations of South Island Tribal Council, Mill Bay
Flynn, James, Kamloops
Forshaw, R.P., Grand Forks
Fort George Band, Shelley
Freer, Ed, Revelstoke
Gaffney, H.C., Burnaby
Gardiner, Connie, Kelowna
George, B., Penticton
Godderis, Bud, Castlegar
Godderis, Francis M., Castlegar
Gooden, Dorothy, Salmon Arm
Goodman, Hugh J., Quesnel
Government of British Columbia, Victoria

Grant, Nigel, West Vancouver
Hayes, John C., Cranbrook
Hayter, Mavis, Vancouver
Hjorleifson, Christine, Vancouver
Hofer, Joe, Kelowna
Holomay, N., Vancouver
Hope, M.E., Victoria
Horswell, R.G., Vernon
Hutchinson, A.M., Vancouver
Intensive Forestry, Ymir
International Brotherhood of Electrical Workers, Local 213, Burnaby
International Woodworkers of America, Local 1-80, Duncan
International Woodworkers of America, Local 1-363, Courtenay
International Woodworkers of America, Western Canadian Regional Council No. 1, Vancouver
Irving, Ronald H., Vancouver
Jackson, Larry, Burnaby
Jaeggle, Gilbert E., Coquitlam
James, John, Winfield
Jenna Construction Ltd., New Hazelton
Jervis, T. Fred, Burnaby
Johnson, Frances M., Trail
Kamloops Unemployment Guidance Centre
Kearns, R.P., Maple Ridge
Kennedy, Ronald J., Vancouver
Kerkkonen, Linda, Kelowna
Kinakin, John, Castlegar
Kitimat-Terrace and District Labour Council, Kamloops
Kroll, Barbara, Vancouver
Krueger, Lawrence, Victoria
Landen, Audrey, Vancouver
Landsman Community Services Ltd., Courtenay
Larson, Ralph, Kamloops
Law, Larry L., Merritt
Legge, Mary, Kamloops
Leung, Cynthia, Victoria
Linde, Kathey A., Williams Lake
Lovell, Verna, Vancouver
Low Income Support Group, Castlegar
Lussier, Pierre, Terrace
MacDonald, Beth, Victoria
MacKinnon, A.A., Kamloops
Management and Professional Employees Society of B.C. Hydro, Vancouver
Manly, J., MP, Cowichan–Malahat–The Islands
Marine Workers' and Boilermakers' Industrial Union, Local No. 1, Vancouver
Marsh, Don N., Delta
Martin, C.E., Abbotsford
Marvel, Jack E., Golden
McCarthy, Grace M., Victoria
McCorkindale, Russell R., Surrey
McEachern, Allan, The Honourable, Chief Justice, The Supreme Court of B.C., Vancouver
McKenna, J.R., New Hazelton
Mechanical Contractors Association of British Columbia, Burnaby
Meyer, Phyllis, Nanaimo
Miltimore, J.E., Summerland
Mitchell, Margaret, MP, Vancouver East
Momuth, T.W., Victoria
Morgan, Mitchell, Victoria
Morley, J.H., Victoria
Mulherin, P. Wayne, Vancouver
Murray, James W., Prince George
Murray, R.L., Surrey
Narsing, Rama, Williams Lake
National Anti-Poverty Organization, Vancouver
Nelson, H.K., Vernon
Nelson Unemployment Action Centre
New Westminster and District Labour Council Unemployed Action Centre
North Coast Tribal Council, Prince Rupert
O'Donnell, J., North Vancouver
Office and Technical Employees' Union, Burnaby
Olson, Melvin A., Surrey
Oosterman, Jan, Burnaby
Organization of Unemployed Workers, Port Alberni
Orr, Doug, Nakusp
Orser, Russell, Coquitlam
Pacific Trollers Association, Richmond
Penny, Vincent L., Kelowna
Piersdorff, Isabel, Vancouver
Pineo, Robert, Nanaimo
Pitts, A., Maple Ridge
Poirier, Norma, Kelowna
Port Alberni and District Labour Council
Prince George and District Building and Construction Trades Council
Prince George and District Labour Council
Prince George Unemployment Action Centre
Prince George Women's Resource Centre
Prince Rupert Labour Council

Professional Employees Association, Victoria
Pulp and Paper Workers of Canada, Local No. 1, Castlegar
Ramesbottom, J.D., Comox
Ransom, Iris, Maple Ridge
Reed, Peter, Vancouver
Regan, Ross, Vancouver
Reid, W., Surrey
Reynard, Dennis, Prince George
Robinson, R.K., Langley
Robinson, Svend J., MP, Burnaby
Rudhardt, K.L.L., Sidney
Ryan, Larry, Victoria
Salmon Arm and District Chamber of Commerce
School District Number 7, Nelson
Schraepel, Gloria, Elkford
Scott, Beverley J., Vancouver
Selles, Peter, Naramata
Siquera, Vincent M., Victoria
Sjodin, W., Revelstoke
Smith, Lenora I., West Vancouver
Social Planning and Review Council of British Columbia, Vancouver
Solidarity Coalition, Vancouver
Squamish Solidarity Coalition
Stead, R., Nanaimo
Steeves, Kenneth A., Courtenay
Sterner, Kurt, Surrey
Stretch, Helen, Malakwa
Surrey Regional Chamber of Commerce, Vancouver
Thurston, Donna M., Surrey
Thyer, N.H., Nelson
Touchstone Committee, Victoria
Trail Unemployment Action Centre
Tweed, A.K., 100 Mile House
Unemployed Teachers' Action Centre, Vancouver
Unemployed Workers' Centre, Nanaimo
Unemployment Action Centre, Prince Rupert
Unemployment Insurance Working Group, Vancouver
Unemployment Research Group, Vancouver
Unitarian Church of Vancouver, Unemployment Sub-Committee
United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada, Local Union 170, Burnaby
United Brotherhood of Carpenters and Joiners of America, B.C. Northwest District Council, Locals 1735, 1549, 1081, Prince Rupert
United Brotherhood of Carpenters and Joiners of America, Local 2300, Castlegar
United Fishermen and Allied Workers' Union, Local 31, Prince Rupert
Vancouver and District Labour Council
Vancouver and District Public Housing Tenants' Association
Vancouver Board of Trade
Vancouver Island Building and Construction Trades Council
Vancouver, New Westminster and District Building and Construction Trades Council, Burnaby
Vancouver Unemployment Action Centre
Vandyke, Pieta M., Victoria
Victoria and District Labour Council
Victoria Chamber of Commerce
Victoria Personnel Association
Visser, Derek, Winlaw
Waters, C.A., Armstrong
Watkins, B., Williams Lake
Webb, D., Vancouver
West, J.P., South Burnaby
West Kootenay Power and Light Company Limited, Trail
Williamson, T.H., Ganges
Wilson, Douglas G., North Vancouver
Wilson, Raymond, North Vancouver
Women for Economic Survival, Victoria
Women in Trades – Kootenay Council, Kootenay Region
Wood, Leroy V., Comox
Woodhouse, John A., Prince George
Woods, Herbert, Castlegar
Woods, T.D., Vancouver
Wray, Cramford P., Oliver
Yuuho, Sunee, Victoria
Zak, E., Oliver

Manitoba

Association of Employees Supporting Education Services, Winnipeg
Becker, Felix I., Thompson
Bennett, Wesley R., Winnipeg
Blaikie, Bill, MP, Winnipeg–Birds Hill
Clark, Lee, MP, Brandon–Souris
Community Unemployed Help Centre, Winnipeg

Deschenes, Elie, Winnipeg
Deschenes, Joseph, Winnipeg
Emberley, Kenneth, Winnipeg
Gnutel, John, Winnipeg
Government of Manitoba, Department of Employment Services and Economic Security, Winnipeg
Harrison, George, Winnipeg
Henderson, Cheryl, Brandon
Hilderman, Art, Winnipeg
Ireland, G.W., Winnipeg
Irwin, Gordon R., Winkler
J.B. Agri Industries Ltd., Morden
Job Finding Club, Winnipeg
Manitoba Action Committee on the Status of Women, Winnipeg
Manitoba Business Development and Tourism, Winnipeg
Manitoba Federation of Labour, Winnipeg
Manitoba Teachers' Society, Winnipeg
McBurney, James B., The Pas
McKenzie, Dan, MP, Winnipeg–Assiniboine
Millar, Vern, Souris
National Federation of Nurses' Unions, Thompson
National Working Group on the Economy and Poverty, Winnipeg
Red River Community College, Winnipeg
Schaefer, Stan, Winnipeg
Simard, Robert and Roland, Winnipeg
Social Planning Council of Winnipeg
Toews, John, Selkirk
United Steelworkers of America, Local 6166, Thompson
Wilde, John, Winnipeg
Winder, Len, Winnipeg
Winnipeg Chamber of Commerce
Winnipeg Labour Council
Young Women's Christian Association, Winnipeg

New Brunswick

Association des pêcheurs professionnels acadiens inc., Shippagan
Atlantic Provinces Chamber of Commerce, Moncton
Audet, Marcel, Fredericton
Barton, B.D., Rothwell
Bennett, Francis, Albert
Bennett, Myron L., Albert
Berthelot, L.G., Campbellton
Bierhorst, Muriel, Oromocto
Borden, Harold E., Fredericton
Brownridge, Ronald, Oromocto
Bruce, Carl H., Bolestown
Cameron, Ian D., Fredericton
Canada Employment and Immigration Union, New Brunswick Region, Moncton
Canadian Labour Congress, Atlantic Regional Office, Moncton
C.N. Pensioners Association of Canada Inc., Moncton Council No. 1
Coakley, Charles, Minto
Conseil du travail, péninsule du nord-est du Nouveau-Brunswick, Moncton
Conseil économique du Nouveau-Brunswick inc., Moncton
Corbett, R.A., MP, Fundy–Royal
Cosman, Wilbur M., Oromocto
De Luca, J., Moncton
Duffy, John L., Fredericton
Federal Superannuates National Association, Fredericton and Area Branch, Oromocto
Fédération des travailleurs du Nouveau-Brunswick, Moncton
Flemming, Arthur G., Fredericton
Fox, Mel, Oromocto
Fredericton Anti-Poverty Organization
Fundy Weir Fishermen's Association Inc., St. Andrews
Gareau, Gil, Oromocto
Geldart, Loris R., Elgin
Gerdson, John, Oromocto
Girard, Albert, MP, Restigouche
Godfrey, Karen A., St. John
Good, David, Oromocto
Goodlad, Terence S., Oromocto
Gordon, D., Newcastle
Government of New Brunswick, Fredericton
Greater Moncton Chamber of Commerce
Greene, David G., Tide Head
Harding, Doug, Rothesay
Hill, Robert, Oromocto
Hobday, Leonard T., Fredericton
Howie, Hon. J. Robert, MP, York–Sunbury
Johnston, Wayne S., Fredericton
Joordens, Thomas, Fredericton
Kent North Truckers Association, St. Louis de Kent
King, Richard, Fredericton
Kirk, H.W., Fredericton
Kitts, Clarence E., Albert County
Landry, Vernon, Oromocto
LeBel, Myrtle, Plaster Rock

Lord, James E., Chatham
Lustig, M. Allan, Oromocto
MacDonald, Blaine R., Rothesay
MacDonald, James J., Oromocto
MacIntosh, Bertha, Chatham
MacKinnon, Rodney A., Oromocto
Mason, Guy E., Westfield
McArthur, Georgina, Fredericton
McKay, John, Oromocto
McKee, Mike, MLA, Moncton North
McKinnon, Barbara, Oromocto
McQueen, J. Wayne, Grand Bay
Moir, Mel, Fredericton
Mombourquette, J.W., Minister of Labour, Fredericton
Moncton and District Labour Council, Riverview
Montgomery, Stephen, Rothesay
Morais, Albert, Fredericton
Murphy, Donald W., Minto
New Brunswick Federation of Labour, Moncton
Northumberland County Truckers' Association, Red Bank
Parsons, Keith, Saint John
Pert, Robert W., Shediac
Pinsent, Stuart, Oromocto
Price, G.R., Oromocto
Progressive Conservative Women's Association, Oromocto
Ramsay, Thomas B., Fredericton
Ricketts, Edward G., Oromocto
Russon, Sylvia, Fredericton
St. John District Waterfront Council International Longshoremen's Association, Local 273
Salonius, P.O., Fredericton
Sargent, Archie and Gloria, Bloomfield
Scott, Melrose, Penobsquis
Simcock, William, Fredericton
Somerton, Cecil W., Oromocto
Spadoni, L., Fredericton
Starkey, Douglas S., Queens County
Sutherland, J.W., Oromocto
Tompkins, A., Fredericton
Town of Sussex
Valcourt, Bernard, MP, Madwaska–Victoria
Village Council of Eel River Crossing
Village of Belledune
Village of Minto
Warnock, Fred, Fredericton
White, Harold, Fredericton
Willar, Donald H., Fredericton
Wilson, A.R., Saint John East
Wood, Lebaron, Nackawic
Young, Don, Fredericton
Zwoker, M.N., Oromocto

Newfoundland

Bay St. George Community College, Stephenville
Bay St. George Regional Band of Newfoundland Indians, St. George's
Bragg, Clifford J., Gambo
Canadian Labour Congress, Newfoundland and Labrador, St. John's
Cannell, R.K., Labrador
Coalition for Equality, St. John's
Combined Councils of Labrador, Labrador City
Corner Brook Chamber of Commerce
Crocker, Harold F., Corner Brook
Dunfield Park Tenant Association, Corner Brook
Economic Council of Newfoundland and Labrador, St. John's
Fishermen of Fortune Bay, Placentia Bay, Bonavista Bay, Trinity Bay
Fishermen's Union, Local 1252, St. John's
Fizzard, Helena, Burin
Fogo Island Co-operative Society Limited
Grenfell Regional Health Services, St. Anthony
Hiscock, Eugene, St. John's
Kelland, Jim, MHA, Naskaupi
Labrador Inuit Association, St. John's
Labrador West Status of Women Council, Labrador City
Lush, Tom, MHA, Bonavista North
Modified Industry and Labour Adjustment Program (MILAP), Labrador City
Moore, Kevin M., Corner Brook
Newfoundland and Labrador Employers' Labour Relations Council, St. John's
Newfoundland and Labrador Federation of Labour, St. John's
Newfoundland and Labrador Fisheries Producer Co-operative Association, St. John's
Newfoundland Fishermen, Food and Allied Workers Union, St. John's
Newfoundland Teachers' Association, St. John's
Orr, James C., St. John's
Petty Harbour Fishermen's Producer Co-operative Society Ltd.

Provincial Advisory Council on the Status of Women, Newfoundland and Labrador, St. John's
Prowse, K.R.J., Deer Lake
Rompkey, Hon. William, MP, Grand Falls–White Bay–Labrador
St. John's and District Labour Council
St. John's Board of Trade
St. John's Status of Women Council
Sparks, Jean, St. John's
Taylor, James A., Con Bay
Taylor, Leonard, Criquet
Tobin, Brian, MP, Humber–Port Au Port–St. Barbe
Torngat Fish Producers Co-operative Society Ltd., Happy Valley
Town of Glenwood
Unemployment Action Committee, St. John's
Warren, Garfield, MHA, Torngat Mountain
White Bay North Development Association, St. Anthony
Women's Involvement Committee, Dildo

Nova Scotia

Annapolis Valley Labour Council, Hantsport
Beaver, Dorothy, Halifax
Boyd, R.W., Yartmouth
Breton Industrial and Marine Limited, Port Hawkesbury
Burke, Stanley L., Greenwood
Canadian Seafood and Allied Workers' Union, Local 116, North Sydney
Cape Breton Development Corporation, Sydney
Cape Breton Island Building and Construction Trades Council, North Sydney
City of Halifax, Social Planning Department
Coates, Hon. Robert C., MP, Cumberland–Colchester
Comeau, Gerald, MP, South West Nova
Community Initiatives Support Network, Halifax
Dalhousie Staff Association, Halifax
Dennison, Charles, Middleton
Diamond, A.R., Stellarton
Element National Component, Halifax
Enriquez, Charles, Antigonish
Everett, Ernest M., Digby
Farmer, Emily, Halifax
Farnsworth, Stanley, Lakeside
Ferreira, Winston, Annapolis Royal
Fillmore, Gerald E., Newport
Fitzgerald, James, Halifax
Fleming, James, Halifax
Forsyth, William R., Chester Basin
Fudge, David, Deep Brook
Gale, Edward, Lower Sackville
Geldart, Loris R., Elgin
Gibbons, Michael, Musquadobort Harbour
Government of Nova Scotia, Halifax
Halifax Board of Trade
Hall, Allison G., Annapolis County
Hamer, Derek, Halifax
Hatch, Peter C., Hantsport
Hurley, Gardner, MLA, Cumberland West
Igoe, John M., Weymouth
John's Cove Fisheries Ltd, Yarmouth
Jones, David B., Sackville
Kennedy, Donald J., Dartmouth
Kerans, Patrick, Halifax
Lacroix, Mary Dale, Yarmouth
Lingley, Edward, Dartmouth
Lively, C.E., Weymouth
Lunenburg County District School Board, Bridgewater
MacAulay, W.G., Greenwood
MacDonald, Blaine R., Rothesay
MacDonald, Hugh, North Sydney
MacDonald, Kathleen, D'Escousse
MacKenzie, Don, Greenwood
MacKenzie, Steve, Sydney
MacLean, Alma, Amherst
MacLeod, Greg, Sydney
MacMillan, J.N., Cornwallis
MacNeil, Gary, New Glasgow
Mainland Nova Scotia Building and Construction Trades Council, Halifax
Marshall, Wayne, Bridgewater
Menzies, Janet, Halifax
Metro Action Committee for Employment, Halifax
Meuse, Harold, Yarmouth
Mitton, June, Street Harbour
Montgomery, Thomas R., Chester Basin
Murphy, William J., Mahone Bay
Nova Scotia Certified Nursing Assistant Association, Halifax
Nova Scotia Federation of Labour, Halifax
Nova Scotia Government Employees Union, Halifax
Nowlan, Patrick, MP, Annapolis Valley–Hants
Oakley, Arthur, Granville Ferry
Oxford, Raymond, Cape Breton
Pensioners Against UI Injustice, Sackville
Pettipas, Andrew J., Halifax

Ranger, Lionel H., Dartmouth
Rousseau, Jacques, Plympton
Roy, Dianne, Dartmouth
Sadler, M., Halifax
Saunders, John A., Newport
Saurette, J., Deep Brook
Semple, Matthew L., Dartmouth
Simourd, J.E., Halifax
Skiba, Shirley, Dartmouth
Southwest Nova Scotia Fish Packers Association, Meteghan
Tomlinson, Gordon E., Dartmouth
Tompkins, A., Fredericton
Township of Pictou
Truckers' Association of Nova Scotia, Halifax
Tupper, J.D., Kingston
United Brotherhood of Carpenters and Joiners of America, Local 1588, Sydney
Vicar, Bruce A.M., Middleton
Voluntary Planning, Halifax
White, Thomas, Yarmouth
Women's Employment Outreach, Halifax
Wood, Charmaine, Halifax
Wood Product Manufacturers Association of Nova Scotia, Lower Sackville
Young, Brian, North Sydney

Northwest Territories

Advisory Council on the Status of Women, Frobisher Bay
Apprenticeship In-Training Service, Government of the Northwest Territories, Frobisher Bay
Cairns, Rosemary, Yellowknife
Deh Cho Regional Council, Fort Simpson
Dene Band, Fort Simpson
Dene Nation, Yellowknife
Government of the Northwest Territories, Yellowknife
Government of the Northwest Territories, Department of Economic Development and Tourism, Baffin Region, Yellowknife
Northwest Territories Federation of Labour, Yellowknife
Northwest Territories Public Service Association, Yellowknife
Pasiciel, Rita, Inuvik
Yellowknife Chamber of Commerce

Ontario

Abramowitz, Michael, Gloucester
Alcan Placement Assistance Committee, Kingston
Algonquin College of Applied Arts and Technology, Nepean
Alliance of Canadian Cinema, Television and Radio Artists, Toronto
Amalgamated Clothing and Textile Workers Union, Toronto
Angus, Iain, MP, Thunder Bay–Atikokan
Apparel Manufacturers Association of Ontario, Toronto
Aquafarms Canada Limited, Feversham
Armstrong, Grant G., Trenton
Association of Canadian Distillers, Ottawa
Association of Part-Time Undergraduate Students, Toronto
Attewell, William C., MP, Don Valley East
Axe, Lawrence, Kincardine
Balch, Joan, Toronto
Bauer, Ray, Frankford
Baugh, David J., Toronto
Baxter, Leslie D., Orleans
Bayne, Francis W., Thunder Bay
Beath, J.E., Trenton
Beatty, William, Willowdale
Beeby, Dean, Toronto
Bell, Alex E., Carrying Place
Bell, John R., Frankford
Bell, R.J., Brighton
Benetech Canada Inc., Toronto
Berwick Ferguson Payroll Canada Ltd., Toronto
Bird, Debbie, Fergus
Bissonnette, Cecil J., Copper Cliff
Board of Trade of Metropolitan Toronto
Booth, R.E., Mississauga
Bosley, Hon. John (Speaker of the House of Commons), Ottawa
Bracher, Susan, Toronto
Branch, Anna, Orillia
Bray, I., Orangeville
Breimer, Theo J., Kingston
Brett, T.M., Stirling
Brien, Joseph, Toronto
Brightman, L., Peterborough
Brittain, John, Stittsville
Britton, Kenneth H., Agincourt
Broderick, T.C., Trenton
Brookes, T.A.F., Baden
Brotherhood of Railway and Airline Clerks, Thunder Bay
Brown, Dale C., Wellington
Brown, Herbert T., Toronto

Browning-Ferris Industries Ltd., Thunder Bay
Buchanan's Mink Ranch Inc., Laurel
Building and Construction Trades Department, AFL/CIO, Ottawa
Burlington Chamber of Commerce
Burridge, Bruce W., Thunder Bay
Busbridge, T., Scarborough
Buss, G., Kingston
Caccia, Hon. Charles, MP, Davenport
Cambridge, G., Belleville
Campbell, Mary A., Hamilton
Campbell, W.R., Trenton
Canada Employment and Immigration Advisory Council, Ottawa
Canada Employment and Immigration Union, Ottawa
Canada Employment and Immigration Union, Ontario Region, Toronto
Canadian Actors' Equity Association, Toronto
Canadian Advisory Council on the Status of Women, Ottawa
Canadian Artists' Representation (CARFAC), Ottawa
Canadian Association for Adult Education, Toronto
Canadian Association of Movers, Hamilton
Canadian Association of Professional Dance Organizations, Toronto
Canadian Association University Continuing Education, Toronto
Canadian Bankers' Association, Toronto
Canadian Chamber of Commerce, Ottawa
Canadian Conference of Catholic Bishops, Ottawa
Canadian Conference of Teamsters, Ottawa
Canadian Conference on the Arts, Ottawa
Canadian Congress for Learning Opportunities for Women, Toronto
Canadian Construction Association, Ottawa
Canadian Council on Social Development, Ottawa
Canadian Dump Truckers Federation, Ottawa
Canadian Electrical Distributors Association, Don Mills
Canadian Federation of Independent Business, Ottawa
Canadian Federation of Labour, Ottawa
Canadian Federation of Students, National Graduate Council, Toronto
Canadian Food Processors Association, Ottawa
Canadian Hearing Society, Toronto
Canadian Home Builders' Association, Ottawa
Canadian Horticultural Council, Nepean
Canadian Hospital Association, Ottawa
Canadian Human Rights Commission, Ottawa
Canadian Institute of Actuaries, Ottawa
Canadian Labour Congress, Ottawa
Canadian Life and Health Insurance Association Inc., Toronto
Canadian Manufacturers' Association, Toronto
Canadian Organization of Small Business, Markham
Canadian Paraplegic Association, Toronto
Canadian Payroll Association, Toronto
Canadian Railway Labour Association, Ottawa
Canadian Restaurant and Foodservices Association, Toronto
Canadian School Trustees' Association, Ottawa
Canadian Shipbuilding and Ship Repairing Association, Toronto
Canadian Teachers' Federation, Ottawa
Canadian Textile and Chemical Union, Toronto
Canadian Union of Public Employees, Ottawa
Canadian Union of United Brewery, Flour, Cereal, Soft Drink & Distillery Workers, Toronto
Canital Insurance Limited, Malton
Capital Tool and Design Limited, Concord
Carmichael, D.J., Kanata
Carr, G.L., Nepean
Cassidy, Michael, MP, Ottawa Centre
Celetti, Paul, Sault Ste. Marie
Chadband, Edward, Stella
Chamber of Commerce, Niagara Falls
Charlebois, Laurier, Cornwall
Charron, Ray, Windsor
Cherry, Rosemary J., Baltimore
Chevalier, Ernest, Trenton
Chidgey, Peter, Yarker
Choice in Child Care Committee, Ottawa
Church and Community: Partners for Employment, Toronto
Chute, Ruth, London
Citizens for Public Justice, Toronto
Clements, D.R., Ottawa
Clowater, R.J., Trenton
Cole, D.W., Trenton
Communist Party of Canada, Central Executive Committee, Toronto
Communist Party of Canada, Northwest Ontario Regional Committee, Thunder Bay
Community College Teachers, Hamilton
Community Impressions Ltd., Durham

Community Initiatives Support Network, Ottawa
Confederation of Canadian Unions, Toronto
Cooney, Joan, Belleville
Copps, Sheila, MP, Hamilton East
Corak, Miles R., Kingston
Corbett, Lester, Petawawa
Cornel, Herman C.J., Kingston
Corporation of the City of North Bay, Department of Social Services
Corporation of the City of Windsor, Social Services Department
Corporation of the Town of Gore Bay
Corporation of the Township of St. Joseph, Richards Landing
Coughlan, W.J.P., West Hill
Council of Ontario Contractors Associations, Willowdale
County of Bruce, Social Services, Walkerton
Cowan, Mary, Minden
CP Express and Transport, Cobourg
Cringan, Craig, Mississauga
Cronkwright Transport Limited, Simcoe
Crow, Don, Wallaceberg
Cruddas, Edward, Willowdale
Cuddy Farms Limited, Strathroy
Cummings, Sheryl L., Kincardine
Curto, C., Hamilton
CUSO (Canadian University Services Overseas), Ottawa
Davis, Patricia, Hamilton
Dawe, William J., Neustadt
Daynard, Kenneth G., Chalk River
Dean, W.J., Ottawa
Dennison, Pauline Joan, Ingleside
Department of National Defence, Ottawa
Dewart, Sheila, Toronto
Dobby, E., Oshawa
Dow, Muriel, London
Dowding, Gerald S., Windsor
Dragenovich, Lynda, Sault Ste. Marie
D.S. Rudd Associates Limited, London
Duczak, Linda J.M., Alliston
Duncan, Murray, Scarborough
East Gate Alliance Church, Ottawa
Economists, Sociologists, and Statisticians Association, Ottawa
Edgar, Frank, Trenton
Edwards, W.S., Mooretown
Eldon, Jean E., Ottawa
Employees of Samsonite, Stratford
Energy Pathways Inc., Ottawa
Epp, Ernie, MP, Thunder Bay–Nipigon
Essex and Kent Counties Building and Construction Trades Council, Windsor
Etobicoke Advisory Committee on Unemployment, Rexdale
Family Service Association of Metropolitan Toronto
Federal Superannuates National Association, Ottawa
Federated Women's Institutes of Canada, Ottawa
Federation of Automobile Dealer Associations of Canada, Willowdale
Federation of Temporary Help Services, Toronto
Fennell, Scott, MP, Ontario
Ferguson, Doris, Monkland
Ferrie, Douglas S., Weston
Fisher, Larry, Pembroke
Fisheries Council of Canada, Ottawa
Fitzpatrick, Michael, Don Mills
Fontaine, Fernand, Ottawa
Fortier, Guy, Gloucester
Fortin, Maurice, Belleville
Foster, Barbara, Sault Ste. Marie
Foster, David, North York
Foster, Maurice, MP, Algoma
Francescone, B., Trenton
Fraser, Barry, Hamilton
Frith, Hon. Douglas C., MP, Sudbury
Gastle, Mary, Burlington
Gearing, W.R., Orillia
Gervais, Aurèle, MP, Timmins–Chapleau
Gilligan, D.J., Agincourt
Gloin, James R., Mount Brydges
Gosselin, E.P., Thunder Bay
Gough, Pamela R., Etobicoke
Grant, Marcia, Hamilton
Gray, Hon. Herb, MP, Windsor West
Green, Len and Betty, Guelph
Greenwood-Speers, Judy, Waterloo
Grey–Bruce Canada Farm Labour Pool, Owen Sound
Guérin, Gary E., Toronto
Guetter, John, Woodstock
Gurbin, Gary M., MP, Bruce–Grey
Hall, Donald F., Scarborough
Hall, Doug, Brantford
Hamilton and District Labour Council
Hamilton and District Chamber of Commerce

Hamilton–Brantford, Ontario Building and Construction Trades Council
Hardey, Elliot, Chatham
Harris, Freda, Parry Sound
Hartry, V.M., Frankford
Hassall, Jack, Huttonville
Hayes, Howard, Trenton
Haythorne, George V., Ottawa
Heap, Dan, MP, Spadina
Heard, Barbara, Willowdale
Helmkay, D., Rainy River
Hemingway, John A., Kanata
Henderson, Cheryl, Brandon
Heppell, Christina, Scarborough
Hiel, Dolf, Scarborough
Hill, Bruce, Ottawa
Hill, R.C., Mississauga
Hillier, Tammy, Kingsville
Hoddinott, Margaret, Rexdale
Holophane–Manville Canada Inc., Brampton
Holt, Bernard, Toronto
Hoover, Jay, Brantford
Hore, Raymond E., Trenton
Hucul, S., St. Albert
Hughes, Frank P., Hawkesbury
Hughes, G.W., Petawawa
Hughes, Laughlin, Toronto
Humane Society of Ottawa–Carleton
Hutchinson, M., Willowdale
INCO Limited (International Nickel Company of Ontario), Toronto
Independent Artists' Union, Toronto
International Association of Bridge, Structural and Ornamental Iron Workers, Local 736, Hamilton
International Brotherhood of Electrical Workers, Local Union 353, Toronto
International Longshoremen's Association, Toronto
International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), Willowdale
Intertech Engineering Corporation, Toronto
Isaacs, L., Trenton
James Fibre-Glass Manufacturing Co. Ltd., Shelburne
Jefferson, James E., London
Jensen, Clarence H., Ottawa
Jess, Michael, Hamilton
Jesseau, Albert, Orillia
Johnston, Douglas B., Ottawa
Kam Theatre, Thunder Bay
Keewaytinok Native Legal Services, Moosonee
Kellogg, Dora, Willowdale
Kemp, Ronald W., Belleville
Kendall, Dave, Pembroke
Kinna-Aweya Legal Clinic, Thunder Bay
Kitchener–Waterloo and District Community Industrial Training Committee
Klein, George, Toronto
Kozulak, A., Gloucester
Kramer, Sara, Belleville
Kroeker, John, Ottawa
Kroeplin, James, Walkerton
Kubisheski, Carole J., Renfrew
Kuley, Erika, Sarnia
Kutac, Zdenek, London
Kvas-Jemec, Josie G., Toronto
Labour Adjustment Review Board, Ottawa
Labour Council of Metropolitan Toronto, Don Mills
Labourers' International Union of North America, Toronto
Lagorio, B.E., Carrying Place
Lane, Arja, Sudbury
Langhorne and Lynch, Cobourg
Lavallée, Philippe, Gloucester
Lavoie, Gaston, Ottawa
Lawr, Mary, Haliburton
Lea, Joseph William, Etobicoke
Leduc, Rose Marie, Victoria Harbour
Lefebvre, Ernest, Rockland
Legal Assistance of Windsor
Lewis, Doug, MP, Simcoe North
Lewis, Henry, Prescott
Lewis, J.T., Ingersoll
Link-up Delivery Ltd., Hamilton
Local Agricultural Employment Advisory Board, Kent and Area
Local Agricultural Employment Advisory Board, Ontario Region of the Counties of Northumberland and Durham, Chatham
Local Agricultural Employment Advisory Board, Ottawa Valley
Local Agricultural Employment Advisory Board, Stormont–Dundas
Logan, Ralph A., Beachburg
London and District Labour Council
London Union of Unemployed Workers

Loosemore, Doreen, London
Lozowy, Nadia, Etobicoke
Luff, William, Belleville
MacDougall, John A., MP, Timiskaming
MacFie, Alex, Windsor
MacGillivray and Company, St. Catharines
Machinery and Equipment Manufacturers' Association, Ottawa
MacKinnon, William, Trenton
MacNeill, Ida L., Pembroke
Madsen, Jay S., Port Perry
Malmud, Maureen, Toronto
Management Science America (Canada) Ltd., Toronto
Marquardt, Charles, Eganville
Martin Lacey Agencies Limited, Toronto
Mayor's Committee on Employment Opportunities and Services to the Unemployed, Windsor
McCarthy and McCarthy, Toronto
McCormack, Shirley, Thunder Bay
McDermid, John, MP, Brampton–Georgetown
McDonald, Donald D., Windsor
McFarland, W.J., Fort Erie
McFarlane, R., Trenton
McHersch, Mary, Toronto
McIntosh, G.E., Waterloo
McKeage, R.E., Kanata
McKelvie, Harry, Kitchener
McLean, Donald S., Orillia
McLean, Harvey, Lively
McLean, L., Athens
Mechanical Contractors Association of Canada, Ottawa
Mehlenbacher, Yvonne, Ancaster
Melville, Robert M., Frankford
Methuen, A., Toronto
Meyrink, George, Puslinch
Millan, Earle T., Don Mills
Miller, Ronald, Toronto
Mills, G.E., Milton
Mines, Robert H., Thunder Bay
Mining Association of Canada, Ottawa
Ministry of Community and Social Services (Ontario), Cobourg
Mitchell, F.B., Trenton
Mitchell, John, Pembroke
Mollot-Jodi, Joanne, Brampton
Montone, Toni, Kanata
Morgan, Cathie, Hensall
Morrison, Lloyd, Guelph
Moser, A., Brampton
Motor Vehicle Manufacturers' Association, Toronto
Mountainview Homes, Thorold
Mudrick, Florence, Willowdale
Mullen, Alastair, Pembroke
Municipalité de Cosby–Mason et Martland, Noëlville
Municipality of Metropolitan Toronto, Metropolitan Community Services Department
Nagpur, Anant, Ottawa
National Action Committee on the Status of Women, Toronto
National Anti-Poverty Organization, Ottawa
National Association of Women and the Law, Ottawa
National Citizens' Coalition, Toronto
National Committee for Independent Canadian Unions, Hamilton
National Council of Women of Canada, London
National Council of YMCAs of Canada, Ottawa
National Union of Provincial Government Employees, Ottawa
Native Council of Canada, Ottawa
Native Friendship Centre, Sudbury
Neish, P., London
Neukamn, Emil, Aylmer
New Democratic Party Caucus
Nickerson, Brenda, Mississauga
Niven, Robert, St. Catharines
North Eastern Ontario Senior Citizens' Association, Sault Ste. Marie
Northern Wilderness Outfitters Ltd., Fort Frances
Norton, D.O., North Bay
N'Swakamok Native Friendship Centre, Sudbury
Ontario Coalition for Better Day Care, Toronto
Ontario English Catholic Teachers' Association, Toronto
Ontario Federation of Labour, Don Mills
Ontario–Manitoba Primary Council of the Canadian Paperworkers Union, Thunder Bay
Ontario Métis and Non-Status Indians' Association, Sault Ste. Marie
Ontario Nurses' Association, Toronto
Ontario Provincial Council of Labour, Scarborough
Ontario Provincial Police Association, Barrie
Ontario Public Service Employees Union, Toronto
Ontario Public Service Employees Union, Local 595, Toronto

Ontario Secondary School Teachers' Federation, Toronto
Ontario Trucking Association, Toronto
Organization of Canadian Symphony Musicians, Rexdale
Osgoode Hall Law School, Downsview
Ottawa Board of Education
Pappel, Albert, Barrie
Pastoral Institute of Northern Ontario, Sudbury
Payne, G.W., Frankford
Pearson, T.L., London
Penner, Keith, MP, Cochrane–Superior
Perry, Peter, Collingwood
Peterborough Hut Restaurant Limited
Peters, J.D.W., Manotick
Petrie, J.W., Ottawa
Pettingil, John, Wellington
Phoenix Global Ltd., Rexdale
Pietz, Allan, MP, Welland
Platt, Kenneth J., Toronto
Poirier, M.C., Trenton
Pounder, Malcolm B., Carrying Place
Practical Concepts Inc., Ottawa
Professional Computer Consultants Group Ltd., Toronto
Professional Institute of the Public Service of Canada, Ottawa
Provincial Building and Construction Trades Council of Ontario, Hamilton
Public Interest Advocacy Centre, Ottawa
Public Service Alliance of Canada, Ottawa
Ray, A.K., Gloucester
Rea, Samuel A., Toronto
Read, A.D., Belleville
Rector, William MacKinnon, Trenton
Redway, Alan, MP, York East
Regional Municipality of Ottawa–Carleton
Regional Municipality of Sudbury
Reid, Joe, MP, St. Catharines
Reid, W., Concord
Retail Council of Canada, Toronto
Rexdale Planning
Richardson, Violet, Grafton
Rittinger, J.E., Trenton
Robertshaw, Thomas, Toronto
Robertson, W.R., Cobourg
Rocky Bay Band, MacDiarmid
Rolica, Lillian Roberta, Kerwood
Roy, Claude, Sudbury
Royal Canadian Mounted Police, Ottawa
Royal Canadian Mounted Police Veterans' Association, Toronto
Rozon, Barbara, Vankleek Hill
Rubber Association of Canada, Mississauga
St-Pierre, Ronald, Sudbury
Santry, Gladys, North Bay
Sarnia and District Chamber of Commerce
Sarnia and District Labour Council
Saunders, Maureen, Willowdale
Saweczko, Jilian M., Toronto
Scheepers, Alida, Winchester
Scott, Bill, Pembroke
Shekter, B.B., Hamilton
Simpson, B.M., Cobourg
Sioux Lookout Community Legal Clinic
Sirois, Thérèse, Petawawa
Sloan, R.F., Trenton
Smook, Maurice, Stoney Creek
Social Planning Council of Kitchener–Waterloo
Social Planning Council of Metropolitan Toronto
Social Planning Council of Oshawa–Whitby
Social Planning Council of Ottawa–Carleton
Soper, Joan, Toronto
Stackhouse, Reginald, MP, Scarborough West
Starmph, F., White River
Status of Women Canada, Ottawa
Stein, R.W., New Market
Stewart, Joseph O., Salem District
Steylen, Ann, Beamsville
Stoakes, Robert, Ottawa
Strong, Anne, Orleans
Stuart, John W., Belleville
Sudbury and District Chamber of Commerce
Sudbury Mine, Mill and Smelter Workers Union, Local 598
Sudbury Multicultural-Folk Arts Association
Sudbury Women's Centre
Sutter, Stewart, Ottawa
Swackhammer, E., Honey Harbour
Szlapa, Dieter, Paisley
Tang, Leticia, London
Thériault, Gerry, Gloucester
Thompson, Bob, Willowdale
Thunder Bay Council of Retirees
Tiessen, Herb, Trenton
Tops Car Wash Company Ltd., Ottawa
Toronto Legal Clinics' Unemployment Insurance Workgroup
Toronto Union of Unemployed Workers
Torrance, Mary M., Kingston

Township of Tehkummah
Tripp, Stephen E., Trenton
Unemployed Help Centre of Windsor
Unemployed Workers' Network, Thunder Bay
Unemployment Help Centre, Kingston
United Auto Workers, Local 707, Oakville
United Auto Workers, North York, Willowdale
United Church of Canada, National Working Group on the Economy and Poverty, Toronto
United Electrical, Radio and Machine Workers of Canada, Don Mills
United Food and Commercial Workers Union, Rexdale
United Steelworkers of America, Thunder Bay
United Steelworkers Association of America, Toronto
United Steelworkers of America, District 6, Thunder Bay
United Steelworkers of America, Hamilton Area Council
United Steelworkers of America, Local 1005, Hamilton
United Steelworkers of America, Local 5055, Thunder Bay
United Steelworkers of America, Local 6500, Sudbury
United Steelworkers of America, Local 8995, Simcoe
University of Toronto
Uriarte, Joseph, Mississauga
Van Embden, R., Azilda
Voss, Susan, St. Catharines
Walker, Sandra S., Mississauga
Warne Marketing and Communications, Toronto
Warner, Norman, MP, Stormont–Dundas
Waterloo, Wellington, Dufferin and Grey, Building and Construction Trades Council, Kitchener
Watson, Constance, Ashton
Wharton, J.S.D., Kanata
Wilds, Milford J., Barrie
William M. Mercer Limited, Toronto
Williams, Janet, Owen Sound
Williams, Sydney A., Ottawa
Wilson, Andrew M., London
Windsor and District Labour Council
Windsor Youth Employment Counselling Centre
Wise, Hon. John, MP, Elgin
Wood, Ross E., St. Williams
Woolhouse, Mr. and Mrs., Toronto
Workers' Compensation Board, Toronto
Working Centre, Kitchener
Wotton, John, Perth
Wright, Timothy G., Hamilton
Yando, S.A., Niagara Falls
Zamora, Nancy L., Toronto
Zollner, Heinz, Trenton
Zuker, Richard C., Nepean

Prince Edward Island

Atlantic Provinces Chamber of Commerce, Charlottetown
Binns, Pat, MP, Cardigan
Canadian Manufacturers' Association, Prince Edward Island Branch, Charlottetown
Community Advisory Board, Southern Kings and Queens Services Centre, Montague
Construction Association of Prince Edward Island, Charlottetown
Coyle, F.C., Charlottetown
Dennison Woodcutting Co., Victoria
Gallant, Ed, Hilltop and North Rustico
Government of Prince Edward Island, Charlottetown
Greater Summerside Chamber of Commerce
Irving, Axel, Murray Harbour
Latin American Mission Program, Charlottetown
MacAusland, Colin, Parkdale
Maritime Fishermen's Union, Charlottetown
Potato Producers' Association of P.E.I., Kensington
Prince Edward Island Federation of Labour, Charlottetown
Prince Edward Island Fishermen's Association, Charlottetown
Prince Edward Island Opposition Caucus, Charlottetown
Prince Edward Island Truckers' Association, Charlottetown
Roberts, Hugh D., Belfast
Royal Canadian Legion, Branch No. 26, Morrell
Schroeder, Julie, Bangor Road
Social Action Commission, Roman Catholic Diocese of Charlottetown
Walker, Felix, Cardigan
Ward, James W., Charlottetown

Québec

Abbey-Finestone Inc., Westmount
Action-travail des femmes, Montréal
Alliance des professeurs de Montréal
Amyot, Florian, Pointe-aux-Trembles

Association des anciens de la SCHL de la région du Québec, St-Laurent
Association des constructeurs de routes et grands travaux du Québec, St-Jean-sur-Richelieu
Association des femmes collaboratrices, St-Lambert
Association des manufacturiers canadiens, Montréal
Association des manufacturiers de bois de sciage du Québec, Québec
Association des propriétaires de machinerie lourde du Québec inc., St-Jean-sur-Richelieu
Association des retraités de Montmorency, Beauport
Association des retraités sans Assurance-chômage, Québec
Association du personnel de l'enseignement de la régionale Carignan, Sorel
Association québécoise des payeurs, Anjou
Association québécoise pour la défense des droits des retraités et des pré-retraités, Trois-Rivières
Audouin, Sylvie, Montréal
Ayotte, Ernest, Princeville
Bannister, Lloyd, La Salle
Barrette, J.R., Longueuil
Beauchemin, Jeanne, Québec
Beauregard, Margo, Montréal
Béchard, Jeanne d'Arc, Châteauguay
Béchard, Lucie, Châteauguay
Bell Canada, Tax Administration Division, Montréal
Berger, David, MP, Laurier
Bernier, F.O., Dollard des Ormeaux
Boisvert, Lorraine, Montréal
Booth, S.C., Pointe-Claire
Bouchard, Jacques, Ville la Baie
Boucher, Jérôme, Sept-Îles
Bourque, Jean-Paul, Otterburn Heights
Bourque, Noëlla, Montréal
Brisson, Lucie, Montréal
Brunelle, Romuald, Montréal
Bruyère, Robert, Montréal
Campeau, Cousineau and Ouellet, Montréal
Campeau, Pierrette, Montréal
Canadian Forestry Service, Hull
Canadian Office Employees Union, Ville Mont-Royal
Canadian Paperworkers Union, Montréal
Canadian Police Association, Montréal
Canadian Pulp and Paper Association, Montréal
Canadian Textiles Institute, Montréal
Carrefour des mouvements d'action catholique, comité diocésain d'action catholique, Québec
Centrale de l'enseignement du Québec, Montréal
Centrale des syndicats démocratiques, Montréal
Centre d'emploi du Canada, section syndicale locale 10430, Rivière-du-Loup
Centre des femmes de Rivière des Prairies, Montréal
Centre local de services communautaires Les Aboiteaux, St-Pascal
Chambre de commerce de Grandes-Piles
Chambre de commerce de Rivière-du-Loup
Chambre de commerce du Québec, Montréal
Champagne, Michel, MP, Champlain
Champagne, Paul, Fabreville
Charbonneau, Rosario, Verdun
Charron, Rhéal D., Charny
Chenel, Walter, Port-Cartier
Chevrier, Viateur, Montréal
Chinese Neighbourhood Society of Montréal
Clarke, Angeline, Montréal
Clermont, René, St-Hubert
Cloutier, Paul, Tracy
Coalition des organismes communautaires du Québec, Montréal
Comité action-chômage Kamouraska inc., St-Bruno
Comité d'adaptation communautaire, Sept-Îles
Comité de reclassement de la compagnie minière Québec Cartier, Sept-Îles
Comité des retraités, Rivière-du-Loup
Comité pré-retraite Cascades East Angus
Comité socio-économique des Îles-de-la-Madeleine
Commission des services juridiques, Montréal
Compagnie minière IOC, Sept-Îles
Compagnie minière Québec Cartier, Port-Cartier
Confédération des syndicats nationaux (CSN), Montréal
Conseil central des syndicats nationaux de la région de Québec, Québec
Conseil central des syndicats nationaux de Sept-Îles
Conseil conjoint numéro 91 des teamsters du Québec, Ville D'Anjou
Conseil du patronat du Québec, Montréal
Conseil paroissial de pastorale de la communauté St-Hyacinthe-le-Confesseur, St-Hyacinthe

Conseil provincial du Québec des métiers de la construction (International), Montréal
Conseil régional de développement de la Côte Nord, Baie-Comeau
Conseil régional de pastorale, Pointe-au-Pic
Cooper, D.B., Hudson Heights
Corporation des maîtres mécaniciens en tuyauterie du Québec, Ste-Foy
Corporation municipale de St-Médard, Comté de Rimouski
Côté, Gaëtane, Princeville
Côté, Jacques, Montréal
Couture, Carol, Sept-Îles
Couturier, Evana, Jonquière
Della Noce, Vincent, MP, Duvernay
Desrochers, Lucienne, Québec
Dextraze, Prudent, St-Jean
Doyon, Donald, St-Georges-de-Beauce
Drolet, Louis, Charny
Dubé, Alphonse, Trois-Rivières
Dubé, Guy, Laval
Dubuc-Bouvier, Madeleine, Montréal
Faucher, F., Montréal
Federally Regulated Employers – Transportation and Communications, Montréal
Fédération des associations de familles monoparentales du Québec inc., Montréal
Fédération des femmes du Québec, Montréal
Fédération des policiers du Québec, Montréal
Fédération des producteurs de pommes du Québec, Longueuil
Fédération des producteurs maraîchers du Québec, Longueuil
Fédération des syndicats du secteur aluminium inc., Jonquière
Fédération des travailleurs du papier et de la forêt (CSN), Montréal
Fédération des travailleurs et travailleuses du Québec, Montréal
Ferguson, Thérèse, Cap des Rosiers
Fieger, Rudolf, St-Hubert
Fillion, Claude, Arthabasca
Fitzpatrick-Martin, Iris, Montréal
Fleury, Gérard, Dolbeau
Forcier, Gaston, Drummondville
Forte, Angelo, Laval-des-Rapides
Franklin, Karina, Beaconsfield
Fraser, Noel C., Montréal
Fraternité nationale des charpentiers-menuisiers, forestiers et travailleurs d'usines, Montréal
Frenette, Maurice, Verdun
Gagné, Mireille, Victoriaville
Gagnon, Benoît, St-Eugène
Gagnon, Jean, Canton Tremblay
Gaudreau, Denise, Granby
Gaudreau, Pierre, Montréal
Geltman, Harold, Montréal
Girouard, Derek E., Chambly
Goldsmith, Bernice, Montréal
Goltman, D.M., Montréal
Groupe Sobeco Inc., Montréal
Grow, R., Verdun
Guilbault, Jean-Guy, MP, Drummond
Guimond, Jean-Marc, Montréal
Hayeur, Lucie, Anjou
Hélie, Bertrand, Val d'Or
Hesse, Mervin M., Farnham
Hogues, Jean-Paul, Charny
Hooles, Patricia, Greenfield Park
Hôpital d'Argenteuil, Lachute
Houle, Paul-Émile, Alma
Hubert, Paul E., Îles-de-la-Madeleine
Iafigliola, Giuseppe, St-Léonard
Jacques, Jean-Paul, Pointe-aux-Trembles
James Bay Cree Corporation, Montréal
Jansz, Clifford H., Dorval
Jones, William A., Pierrefonds
Kaye, G.H., Châteauguay
Keable, Guy, Pointe-aux-Trembles
Labelle, Gilles, Montréal
Ladouceur, Marcel, Ste-Julie
L'Alliance des professeurs de Montréal
L'Allier, Carmen, Montréal
Lamazzi, Gino, Laval
Lamazzi, Linda, Fabreville
Lamazzi, Pauline, Laval
Lapierre, Gaston, St-Georges
Larouche, Paul, Chicoutimi
Lavigne, Ghislaine, Montréal
Lecours, Yvan, Princeville
Leditt, Art, Montréal
Les travailleurs sans emploi enr., Shawinigan
L'Hirondelle, comité d'accueil inter-ethnique, Montréal
MacLeod, Carol, Montréal
Mainguy, Gérard, Sept-Îles
Maison des jeunes de Mont-Joli inc.
Martineau, Serge, Montréal
Mastercraft Leather Goods Ltd., Montréal
McTiernan, Cecil, Shawville

Michaud, Rénald, Loretteville
Morin, Suzanne, Montréal
Mousseau, Jacques, Aylmer
Mouvement action chômage de l'Outaouais, Hull
Mouvement action chômage de Montréal inc.
Mouvement action chômage de Québec inc.
Mouvement action chômage de St-Hyacinthe
Mouvement action chômage de Trois-Rivières
Mouvement socialiste du Québec, Montréal
Municipalité régionale du comté de Matane
Municipalité régionale du comté de Pontiac, Campbell's Bay
Nadeau, Fernand, St-Amable
Neumann, Ralph, Roxboro
Office diocésain de pastorale ouvrière et sociale, Shawinigan
Office de pastorale ouvrière et sociale, diocèse de Trois-Rivières
OPCAN, Montréal
Organisation populaire des droits sociaux, Montréal
Organisme d'alphabétisation "lettres vivantes", Larouche
Organisme du droit d'assurance-chômage aux employés salariés musiciens et musiciennes inc., Montréal
Paré, Danielle, Sillery
Parker, Michael, Kirkland
Pavages Vaudreuil Ltée
Pelletier, Philippe, St-Hyacinthe
Pensioners 1985/1986, Lasalle
Perreault, Albert, St-Alphonse-Rodriguez
Piney, Reg, Montréal
Pintal, André, St-Léonard
Poirat, Gustave, Boucherville
Procycle Inc., Ville de St-Georges
Provincial Association of Catholic Teachers, Montréal
Railway Association of Canada, Montréal
Rapps, Sammy, Montréal
Regroupement des chômeurs(euses) de Val d'Or
Regroupement des sans-emplois de Victoriaville
Regroupement des sans-emploi de la Côte-Nord, Sept-Îles
Regroupement des séparées, séparés et divorcées, divorcés de l'ouest inc., Pierrefonds
Regroupement provincial des maisons d'hébergement et de transition pour femmes victimes de violence, Montréal
Réseau d'action et d'information pour les femmes (RAIF), Sillery
Ricard, Guy, MP, Laval
Rinfret, Carole, Montréal
Robert, Denyse, Montréal
Robitaille, Lionel, Grand'Mère
Roy, Constance, Granby
Ruel, Louise, Frélighsburg
St-Arneault, Marcel, Montréal
St-Pierre, Edith, Oka
St-Pierre, Ronald, Mascouche
Sawyer, Jean-Claude, Montréal
Shragge, Eric, Montréal
Société de ressources communautaires Brandon, St-Gabriel de Brandon
Société d'exploitation de ressources des Basques inc., St-Mathieu
Solidarité populaire Québec, Montréal
Stanworth, John C., Otterburn Park
Syndicat de l'emploi et de l'immigration du Canada, Lévis
Syndicat de l'enseignement de Champlain, St-Hubert
Syndicat de l'enseignement de la région des Milles-Îles, Sainte-Thérèse
Syndicat de l'enseignement de l'Estrie, Sherbrooke
Syndicat de l'enseignement de l'ouest de Montréal, Lachine
Syndicat de l'enseignement de Taillon, St-Hubert
Syndicat de l'enseignement du Haut-Richelieu, St-Jean-sur-Richelieu
Syndicat de l'enseignement du Lac St-Jean, Alma
Syndicat des enseignants de Châteauguay-Moissons, Beauharnois
Syndicat des enseignants de la région de la Mitis, Mont-Joli
Syndicat des fonctionnaires provinciaux du Québec, Québec
Syndicat des professeurs du Québec métropolitain, Québec
Syndicat des techniciennes et techniciens du cinéma du Québec, Montréal
Syndicat des travailleurs des chantiers maritimes de Sorel, Tracy
Tanguay, Marcel, Saint-Prosper
Tardif, Monique B., MP, Charlesbourg
Terence Pye Associates, Montréal
3rd Dimensions and Associates (1973) Ltd., Verdun
Todorovic, D., La Salle

Toupin, Robert, Terrebonne
Tour de Lire, Montréal
Tremblay, Maurice, MP, Lotbinière
Union des artistes, Montréal
Union des producteurs agricoles, Longueuil
Valiquette, Raymond, Repentigny
Vézina, Robert, Montréal
Vigneault, Jean-Charles, Montréal
Ville de Rivière-du-Loup
Vincent, Pierre M., MP, Trois-Rivières
Vincent, Serge, Granby
Visual Planning Corporation, Montréal
Warren, Richard, Ste-Foy
Weiner, Gerry, Dollard des Ormeaux
Wills, Edith Mary, Montréal

Saskatchewan

Baker, Wayne and Faith, White Spruce
Basiuk, Cory, Saskatoon
Bauman, Gail, Regina
Beer, James, Prince Albert
Bushnell, Robert, Saskatoon
Canada Employment and Immigration Union, Regina
Canadian Congress for Learning Opportunities for Women, Regina
Committee Against Poverty, Regina
Community Service Employment Co-operative of Regina
Coteau Range Community College, Moose Jaw
Cuddington, Gordon O., Fort Qu'Appelle
Cypress Hills Community College, Swift Current
Davies, William G., Regina
Davitt, Kathleen, Regina
Doidge, W.S., Swift Current
East, Elaine, Regina
Ens, Carl M., Saskatoon
Globe Theatre, Regina
Government of Saskatchewan, Regina
Hnatyshyn, Hon. Ray, MP, Saskatoon West
Hovdebo, Stan, MP, Prince Albert
Inventronics Limited, Moose Jaw
Krempien, Brian, Saskatoon
Kuhn, J.D., Regina
La Ronge Region Community College
Lang, E., Saskatoon
Machie, Mary, Regina
Matthew, Maureen, Saskatchewan
Merrick, P.J., Weyburn
Norwood Construction Ltd., Saskatoon
Olynyk, Ivan D., Meacham
Ortman, Rose, Francis
Pocock, Dale, Nipawin
Regina Business and Professional Women's Club
Regina Chamber of Commerce
Riches, Graham, Regina
Saskatchewan Action Committee on the Status of Women, Regina
Saskatchewan Arts Alliance, Regina
Saskatchewan Association on Human Rights, Saskatoon
Saskatchewan Chamber of Commerce, Regina
Saskatchewan Community Colleges Trustees Association, Saskatoon
Saskatchewan Employment Development Agency, Regina
Saskatchewan Federation of Labour, Regina
Saskatchewan Health, Saskatoon
Saskatoon Region Community College, Saskatoon
Slaferek, Delores, Saskatoon
Slinn, Norman K., Regina
Spanier, Claudia, Qu'Appelle
Ternowetsky, Gordon, Regina
Ward, W.C., Moose Jaw
Watson, Susan, Lanigan
Western Grain Elevator Association, Regina
Zilke, Sam, Springside

Yukon

Armstrong, Irwin R., Whitehorse
Buckway, B., Whitehorse
Government of Yukon Territory, Whitehorse
Nhung, Nguyen Thi, Elsa
Youngblut, Sharon, Whitehorse

Appendix D

Research Studies

Arthur Anderson & Co., "Administrative Effectiveness and Efficiency Review."

This study reviews the organizational structure of the Unemployment Insurance program, and comments on the efficiency and effectiveness of its management processes, as well as recommending areas for improvement. Overall administrative costs are compared with unemployment insurance schemes in the United States, and changes to policies and procedures are assessed with respect to their impact on efficiency.

B.C. Research, "Demographic Change and Employment."

This study considers the employment outlook to 1991 for six major demographic groups: females, males, native Indians, youths, middle-aged workers and older workers. It examines the effects of the changing age distribution of the population on the unemployment rates of these various groups, and also identifies those industries and occupations with strong employment growth potential in the next five years.

Gerald A. Beaudoin, "Unemployment Insurance and the Constitution: An Overview."

This is a legal opinion regarding the constitutional aspects of the Unemployment Insurance Act, addressing both the rules of interpretation and relevant case law relating specifically to two issues: the federal-provincial division of powers and the Canadian Charter of Rights and Freedoms. It then addresses specifically several legal questions that may arise in the future with regard to Unemployment Insurance.

D.J. Byrne, "The Relationship and Interaction Between the Unemployment Insurance Program and Social Assistance Programs."

The number of long-term unemployed persons with employment potential has increased significantly in the last five or six years. They require both income maintenance and employment counselling services to help them to develop or maintain job readiness and obtain long-term employment. This study examines the current Unemployment Insurance and social assistance programs in relation to these needs, and details the problems faced by individuals who must deal with both programs.

The Canada East-West Centre Ltd., "Equity and Efficiency: The Theory and Realities Relating to Employment, Unemployment and Income Security."

Economic and social policy goals must acknowledge both the equity and efficiency consequences of resource allocation and wealth distribution. This study identifies and evaluates the policy goals of core and non-core elements of the Unemployment Insurance program and the relative weighting of economic and social considerations. It also suggests instances where other means than the Unemployment Insurance program may be more appropriate for meeting some or all of these objectives.

J. Davidson-Palmer & Associates, "Training: Approaches to Employment."

Although strong evidence points to the fact that we are currently in a period of industrial restructuring, current labour market policy has been unable to rectify what appears to be a poor match between training and available jobs. This study examines a number of issues related to training policy, considers the possible role of funding and administration of Unemployment Insurance, and identifies other mechanisms such as the tax system which could be used to create a comprehensive and coordinated approach to training.

Decima Research Ltd., "Work and Income Security: A Survey."

This survey examines the attitudes of Canadians toward work, employment expectations, and income assistance – Unemployment Insurance in particular. The results are analyzed by region, age, education, income and employment experience of the respondents.

Pierre Dufour, "Analysis of Problematic Legal Aspects of the Unemployment Insurance Act."

This study analyzes in detail the legislation and jurisprudence of the key sections of the Unemployment Insurance Act, with an emphasis on the role of employers in the program. It considers the view of employers' groups that Unemployment Insurance should function as an income replacement scheme, and provides recommendations for possible changes to the Act and regulations.

Michael Gardner, "The Fishermen's Unemployment Insurance Program."

Since the extension of Unemployment Insurance benefits to fishermen in 1956, the program has played an important role in supporting and stabilizing the incomes of fishermen. Problems in adapting coverage to the fishing industry arise because of the complexity and diversity of the industry, changes in the fishery brought about by resource and market conditions, and changes in fishing patterns brought about by the Unemployment Insurance program itself. This study addresses these issues and considers possible options and improvements to the current approach.

Grady Economics & Associates Ltd., "Inflation and Unemployment."

This paper examines the issue of the trade-off between inflation and unemployment, and documents the evidence of an upward shift in the "natural rate" of unemployment over the 1970s. It also examines evidence that the 1971 revisions to the Unemployment Insurance program, which increased the generosity and coverage of benefits, contributed to the rise in the natural rate, and considers the extent to which the tightening of the Unemployment Insurance program in the late 1970s may have partially reversed this earlier effect.

Grady Economics & Associates Ltd., "Full Employment."

This study considers the existence and magnitude of constraints on the use of fiscal and monetary policy to pursue the objective of full employment, and discusses policy tools other than fiscal and monetary policy by which it would be possible to reduce structural unemployment in the absence of renewed inflation. Reform of Unemployment Insurance is but one example of measures that might improve the functioning of labour markets.

R.H. Hood Economics Inc., "Regional Policy Problems in the Unemployment Insurance System."

This study examines the use of regionally extended benefits in the Unemployment Insurance program as an instrument to achieve policy objectives. It asks whether the Unemployment Insurance program should be regarded as a compulsory insurance plan, a social support scheme, or a program to promote regional development, and considers two major scenarios for Unemployment Insurance reform in light of their consequences for income redistribution and employment stability.

Informetrica Ltd., "Employment Impacts of Free Trade."

This study estimates that net employment in Canada will increase by some 150,000 jobs between 1988 and 2005 under a free trade agreement, based on an examination of actual tariff differences and estimates of non-tariff barriers. Significant gains and losses in employment are identified by sector and province. The study considers also the (re)training and interprovincial mobility implications of free trade and the implications for the design of an Unemployment Insurance scheme.

National Tax Centre, "Taxation and Capital Investment."

The widespread use of tax incentives for capital investment is a relatively recent phenomenon. This study identifies the major tax incentives for capital investment introduced since 1972, and examines the available economic evidence that tax incentives for capital investment are effective in producing an increase in economic growth and/or employment.

National Tax Centre, "Taxation and Employment."

This study addresses the issue of whether increases in taxation are accompanied by a decrease in the desire to work, and develops guidelines by which to judge whether certain provisions of the Income Tax Act encourage or discourage employment. In particular, it examines the progressive rate schedule and the effect of the tax system on two-income families as two areas likely to affect decisions either to enter the labour market or to increase labour market participation.

Walter Nicholson, "Unemployment Insurance Financing: Lessons from the United States."

The United States is the only country in which Unemployment Insurance is experience rated (based on employers' layoff histories). It is concluded that there appears to be empirical support for the conclusion that experience rating can reduce unemployment. This study considers various aspects of experience rating in the United States, and the feasibility and possible implications of introducing such a system in Canada.

Lars Osberg, "Economic Theory and Unemployment: An Essay on Constraints, Choices and Blind Spots."

This study reviews economic theory relating to unemployment since the 1960s, and considers four "missing links" in the literature. These are: the impact of unemployment-induced stress on individuals and on the economy; the impact of high unemployment on the mobility and flexibility of the *employed* population; the need for changes in workers' skills as a result of shifts in technology; and Unemployment Insurance reforms.

Lars Osberg, "The Incidence and Duration of Unemployment in Canada."

Public perception of the social and economic costs of unemployment is affected by our view of the two components of unemployment – that is, whether a given unemployment rate is due to many people being unemployed for a short period of time (high incidence but short duration), or to a few people being unemployed for a long period of time (low incidence but long duration). This study discusses the incidence and duration of unemployment in Canada, as well as its regional, demographic and industrial/occupational aspects.

André Philippart, "Unemployment Insurance: Lessons from the European Economic Community (Benelux and FRG)."

This study discusses the role of Unemployment Insurance schemes in certain countries of the European Economic Community. Among the issues addressed are the role of the state in financing Unemployment Insurance, the benefit and tax structures implications for income redistribution, and administrative issues. The broader context of the discussion includes the social and economic policy environments within which the programs function, as well as the role of supporting policies such as education and training.

Craig W. Riddell, "Changing Behaviour Patterns and Employment."

This study documents the demographic and behavioural patterns underlying changes in the composition of the labour force and in the nature of unemployment since the early 1970s. It then considers the various objectives which might form the basis of an Unemployment Insurance program and discusses their implications for Unemployment Insurance.

A. Rotstein and R. Adlam, "Economic Networks and the Unemployed."

This study discusses the issue of economic activity among the unemployed and the extent of their dependence on income assistance programs. Based on a survey of unemployed individuals, it identifies three network categories – cash, barter, and one-way support networks of family and friends – and attempts to estimate the extent and value of these types of activity among the unemployed.

A. Rotstein and C.A.M. Duncan, "Informal Economic Activity: A Survey of International Trends."

Informal economic activity is perceived differently in different countries. This study identifies these various attitudes and considers several policy questions in an international context. It asks whether informal economic activity ought to be legitimated and expanded in the face of the long-term unemployment that lies ahead, and examines the possibility of easing the burden on the current welfare system through recourse to informal economic activity.

Robert G. Saint-Louis and Lucie Lamarche, "Critical Review of the Organization and Administration of the Unemployment Insurance Act: The Claimant's Point of View."

This study evaluates the unemployment insurance system with an emphasis on the claimant in the system. It considers problems arising from current eligibility criteria, regulatory complexity, administrative problems and appeal procedures, and recommends changes where appropriate.

Robert G. Saint-Louis and William Schabas, "Analysis of Parliament's Response to the Gill Committee of Inquiry, the Cousineau Committee, the Comprehensive Review of 1977 and the Gershberg Task Force."

This study discusses the evolution of Canada's Unemployment Insurance legislation in the light of the four major reviews between 1962 and 1981. The interplay and synergy between the various reports and the legislation are treated on an issue-by-issue basis. Key recommendations are identified and parliamentary responses noted.

Patti Schom-Moffatt, "Social Consequences of Unemployment."

This study surveys the available literature on the social consequences of unemployment, noting a strong consistency in the conclusions of different researchers. It identifies some conditions that act as a major buffer against the adverse consequences of unemployment and considers ways in which policy could be encouraged to support the creation of such buffers.

Irving R. Silver Associates, "Changing Demand Patterns and Labour Adjustment."

This study identifies by age, sex and skill level, as well as by industry and occupation, those workers most susceptible to unemployment over the next five years. It enumerates the most likely areas for inter-occupational mobility in response to job loss for those groups, and illustrates the variety of approaches required from labour market policy in facilitating adjustment.

Monica Townson, "The Segmentation of Labour Markets."

This study examines the literature on labour market segmentation and its implications for the development of Unemployment Insurance. Tentative conclusions are drawn for policy making, focussing on the higher turnover in the secondary labour market and the potentially limited access of its members to more stable employment opportunities in the core labour market.

Martin L. Weitzman, "Profit Sharing as an Antidote for Canadian Unemployment."

Weitzman's proposal for a profit-sharing economy recognizes explicitly that the well-being of a firm's workers depends ultimately on the financial health of the firm itself. Workers take a portion of their pay as a negotiated share of profits, and companies and workers have greater incentives to keep profits, output, and employment at high levels. A fully functioning share economy generates less unemployment, a redefinition of Unemployment

Insurance is suggested as a benefit that temporarily replaces unexpected drops in earnings – including wage loss as well as wage interruption.

David R. Williamson, "The Economic Consequences of Unemployment."

This study examines the literature on the issue of whether future economic growth is affected by sustained high levels of unemployment. It considers the links between current levels of Gross National Product and future potential growth, the negative impact of a sustained high level of unemployment on the labour force participation ratio and on the rate of inflation, and the relationship between prolonged periods of high unemployment and capital investment.

David R. Williamson, "The Tax System and Unemployment."

This study examines the Canadian corporate tax system in relation to firms' employment and capital investment levels. It questions whether the tax treatment given to labour is neutral with respect to the amount employed, and whether the tax treatment accorded to capital assets serves on balance to encourage firms to invest in capital assets as opposed to employing labour.

These studies, along with transcripts of the public hearings and copies of the briefs submitted to the Inquiry, are part of the records of the Commission which are deposited with the Public Archives. Inquiries may be directed to:

Federal Archives Division
Public Archives Canada
395 Wellington Street
Ottawa, Ontario
K1A 0N3
(613) 996-8507

Appendix E

Projecting the Impact of Employment Policies on the Demand for Human Resources

The Commission of Inquiry used a simulation model developed by Statistics Canada, called the Socio Economic Resource Framework (SERF), to explore a number of possible policies relating to the development of Canada's human resources. The purpose of the SERF model is to estimate the impact of demographic changes on the supply and demand for labour over a period of 50 years. The model reflects the impact of the postwar baby boom on the age structure of Canada's population to the year 2031, and its implications for family formation, home building, appliance sales, consumption of health, educational and other services. Using this model and adding changes in rates of participation in the labour market, in retirement patterns, in productivity rates and other factors, it is possible to suggest what might happen to the supply of and demand for labour over the next 50 years as a result of various human resource development strategies.

The SERF program does not attempt to forecast the future. What it does is explore the long-term implications of "what if" situations. What if starting from known elements (basically data on the Canadian population and labour force) the retirement age were lowered? By how much would that reduce unemployment now and later? What problems would be created later when Canada has a much higher proportion of older people?

Situation 1

The Base Case: Are We Doomed to Poverty in Old Age?

The "base case" is the set of circumstances that includes projections of all relevant trends into the future without any policy changes. The results suggest that in the near and medium term Canada would have high and then slowly falling unemployment rates, turning into an acute labour shortage by 2031. The profile of relative unemployment resulting from this "do nothing" situation is shown in Figure E.1. "Labour market tension" (Statistics Canada's term) is an indication of the relationship between the supply of and demand for labour, and hence indicates trends in unemployment. This index is referred to here as the "relative unemployment index." It is similar to an unemployment rate.

The negative figure in 2031, which suggests that there would be a shortage of workers, underlines the limitations of these simulation exercises. Since "negative unemployment" is inconceivable and would never be observed, something that has been assumed to remain constant in the model would change in reality, possibly in a drastic way. For example, it is likely that as Canada evolved toward a zero unemployment rate, employers would induce older workers to delay retirement

Figure E.1
Relative Unemployment Index, Base Case, 1981–2031

	1981	1986	1991	2001	2011	2021	2031
Base case	11.9%	11.9%	11.0%	9.8%	7.9%	0.5%	−5.3%

Note: The relative unemployment index, which Statistics Canada terms "labour market tension," compares the supply of labour to the demand for labour. It is similar to an unemployment rate.

Source: Statistics Canada, special tabulations for the Commission of Inquiry on Unemployment Insurance.

and all workers to increase working time. If insufficient extra labour supply came forward in these ways, immigration policy might have to be liberalized or a guest-worker program introduced to increase the number of working-age adults in the population.

Situation 2

Productivity Growth: Cure or Curse?

Figure E.2 shows observed productivity growth for different periods since 1946 for commercial-goods-producing industries. These are the industries in which productivity growth can best be measured and in which technology has so far had the greatest impact. These aggregate measures of productivity improvement, therefore, considerably overstate productivity growth for the economy as a whole.

With the model, it was assumed that 150 goods-producing sectors would experience an average yearly increase in productivity of 3.2 percent as compared to the base case set of circumstances in which average yearly productivity increases by 1.68 percent. The relative unemployment indices for the period 1986–2031 and the differential from the base case are shown in Figure E.3.

Figure E.2

Aggregate Productivity Measures for Commercial Goods-Producing Industries, 1946–81

(Average annual growth rates)

	1946–81	1961–71	1971–81	1978–79	1979–80	1980–81
Output per person/hour	4.9%	5.4%	1.7%	–0.4%	–0.8%	0.7%

Source: Statistics Canada, *Aggregate Productivity Measures* (Cat. no. 14-201), 1984.

Figure E.3

Relative Unemployment Index under Various Situations

	1986	1991	1996	2001	2011	2021	2031
Base case (1.8% productivity growth)	11.9%	11.0%	9.8%	9.8%	7.9%	.5%	–5.3%
Alternate case (3.2% productivity growth)	12.8%	12.8%	12.3%	12.8%	11.9%	5.4%	nil
Change from base case Alternate case and accelerated work-week reduction	0.9%	1.8%	2.5%	3.0%	4.0%	4.9%	5.3%
Alternate case and accelerated work-week reduction:							
Change from base case	nil	–0.1	–0.8	–1.4	–.2%	0.1%	nil
Change from alternate case	–.9%	–1.4	–3.3	–4.4	–4.2	–4.8	–5.7%
Alternate case and increase in demand:							
Change from base case	0.5%	0.9%	2.0%	2.0%	2.0%	1.8%	1.4%
Change from alternate case	–0.4	–.9%	–1.5	–2.1	–2.0	–3.1	–3.9%

Note: The relative unemployment index, which Statistics Canada terms "labour market tension," compares the supply of labour to the demand for labour. It is similar to an unemployment rate.

Source: Statistics Canada, special tabulations for the Commission of Inquiry on Unemployment Insurance.

It is often suggested that unemployment that is induced by productivity growth can be solved by reducing work time. The base case situation incorporates some reduction of work time, reflecting the existing trends. The average work week in 2031 would accordingly be 30 hours.

Reducing work time is not the only way to compensate for the impact of productivity growth on employment. Productivity growth increases real incomes, and higher real incomes may lead to higher consumption. If aggregate demand for goods and services were to increase by 2.2 percent on average per year (not unreasonable if productivity increases at 3.2 percent per year), then most of the adverse impact of productivity growth on employment would be neutralized. International trade has a crucial role to play here for a country as dependent on trade as Canada. The faster the rate of productivity growth in Canada, the easier it will be for the country to maintain a trade surplus. It will then be relatively easy not only to offset the adverse impact of higher productivity on employment, but even to reverse that impact: unemployment would fall *below* what it would be with slower productivity growth.

The following observations can be made:

- Technological change would not increase unemployment by more than 5 to 6 percentage points over several decades.
- This drop in employment could be fully compensated by a modest shortening of work time.
- If such a shortening of work time were not reversible, it would only complicate the long-term labour deficit projected for the period 2021–31.
- If the benefit (in terms of real income) made possible by increased productivity is used up by increasing leisure time, less or none of it will be available to reduce the comparative cost of goods and services made in Canada with those made abroad. The deterioration of the trade balance might then reduce employment in Canada by as much as or more than productivity growth itself.
- In an open economy such as Canada's, absolute productivity growth is probably less important than productivity growth relative to that in other countries. If productivity grows more rapidly in Canada than in competing countries, our costs will fall relative to theirs and our trade balance will improve enough to create more jobs than are "destroyed" by the growth in productivity itself.

Situation 3

Education vs. Labour Market Participation

In 1980, only 52.6 percent of Canadians aged 15 to 19 and 10.4 percent of 20 to 24 year olds were enrolled in full-time education programs. Educational enrolments (as a percent of population) show an increase for the 15 to 19 year olds from 57.6 to 60.5 percent (1980 as compared to 1985); for the 20 to 24 year olds, the rise is from 10.4 to 14.1 percent.

Four scenarios involving an increase in educational enrolments were simulated using SERF.

1 From the low school enrolment levels of 1981 (corresponding to an enrolment rate of 53 percent), a move to 100 percent educational enrolment for this age group was simulated. (While that level is highly unlikely, it is used to show the greatest impact possible.) It would reduce the group's labour force participation rate to 30 percent. In turn, this would reduce the relative unemployment index by 0.8 of a percentage point.

2 The second situation is based on the actual higher educational enrolment observed in 1985. This has already reduced the labour force participation rate to 39 percent for the 15 to 19 age group, and reflects the decision by some 15 to 19 year olds to continue into post-secondary education. To achieve 100 percent high school enrolment would require a further decrease in the labour force participation rate to only 24 percent. As a result, this would reduce the relative unemployment index by 1.8 percentage points.

3 A third situation addresses the problem of educational catch-up for adults 25 years of age or older who are presently in the labour force. In 1981, 4 percent of those aged 25 to 40 were full-time students. On the assumption that technological change requires a 50 percent increase in the full-time educational

enrolment of this age group, a 2 percent drop in the labour force participation rate would result. The relative unemployment index would drop by 1.5 percentage points.

4 In 1981, 31 percent of adults aged 20–24 had no high school diploma. On the assumption that 1.5 years would be needed on average to make up the deficiency, and spreading the effort needed to bring everyone in Canada up to at least the high school graduation level over a 10-year period, the relative unemployment index would be reduced by 2 percentage points.

Quite apart from its long-term impact on the country's competitive position and on its economic growth rate and employment potential, education could make a substantial contribution to reducing unemployment. The models are based on the goal of having every Canadian achieve a high school certificate or an equivalent education. More than 5 percentage points could be taken off our unemployment rates by the implementation of that policy.

In devising a human resources policy for Canada, increased education should be considered on a par with increased leisure time (i.e., reduced working time) as a strategy for balancing labour supply and demand.

Situation 4

Lifestyle Decisions

Retirement

Changes in retirement patterns were not simulated. The following possibilities, however, were noted.

- For some, the possibility of retiring relatively young (before age 65) will be enhanced by the flexibility of pension plans now being considered. Such a policy could reduce the labour force participation rate below present levels.
- For others, the possibility of retiring relatively late (after age 65) will also be enhanced by the greater flexibility of pension plans. Such a possibility will be stimulated by the increasing health of older persons. Working until age 75 will become a real possibility for many as a result of the shift in the workplace away from manufacturing and primary industries to services. In that case, labour force participation rates would increase above present levels.
- The SERF model was used to examine possible changes in labour force participation stemming from increased availability of part-time

Figure E.4

Change from Base Case in Relative Unemployment Index due to Parental Leave

Take-up rates	1986	1991	1996	2001	2011	2021	2031
15%	−0.6	−1.2	−1.1	−1.1	−1.1	−1.3	−1.3%
25%	−0.8	−1.8	−1.8	−1.8	−1.9	−2.1	−2.2%

Note: The relative unemployment index, which Statistics Canada terms "labour market tension," compares the supply of labour to the demand for labour.
Source: Statistics Canada, special tabulations for the Commission of Inquiry on Unemployment Insurance.

work. In 1985, 12 percent of people aged 55 to 64 and 35 percent of those aged 65 and over were working part time. But according to a survey commissioned by the Department of National Health and Welfare, 40 percent of people aged 55 and over would like part-time employment.[1] Increasing the availability of part-time work would encourage a higher rate of participation for older people. It might also lower the unemployment rate. The SERF simulation of substituting two and a quarter part-time jobs for one full-time job showed a gradual return to the labour force participation rate experienced in the early 1970s by older workers, or an average reduction in the relative unemployment index of 1.5 points over the 1981–2031 period.

Labour Force Participation of Women

Two simulations were run to explore the impact of changing the income tax exemption for non-working spouses to target benefits more precisely to situations where one spouse stays home temporarily to care for young children. The "equivalent to married" exemption now benefitting single parents with dependants was retained.

The impact on labour force participation rates of such a possible retargetting and transformation of exemptions would depend on the "take-up" rate – that is, on the decision of *either* parent to take an extended parental leave. Two simulations were carried out, one assuming a 15 percent "take-up" rate and the other a 25 percent rate. Figure E.4 gives the estimated impact on the relative unemployment index.

Little is known about the preferences of parents and even less about their responsiveness to a change in the set of fiscal incentives confronting them. The above results are highly tentative.

Blending the Situations

Through a combination of the four situations, a rapid and persistent decline in the relative unemployment index can be observed. Figure E.5 illustrates the different profiles over several decades.

The combination of situations speculates on changes in labour force participation rates with higher productivity assumptions, the various alternative possibilities of reduced work time, and increased domestic and external demand. These present a whole menu of policy options for the

Figure E.5

Relative Unemployment Index Resulting from a Combination of Situations, 1986–2031

	1986	1991	1996	2001	2011	2021	2031
Base case	11.9%	11.0%	9.8%	9.8%	7.9%	0.5%	–5.3%
Combination of participation rate reductions[a]	9.8%	7.6%	6.1%	5.5%	4.5%	1.7%	.0%
Participation rate reduction with productivity changes without offset[b]	10.7%	9.4%	8.6%	8.6%	8.7%	6.5%	5.0%
With work-time reduction[c]	9.9%	7.5%	5.4%	4.1%	4.4%	1.8%	.0%
With increased demand[d]	10.2%	8.5%	7.3%	6.5%	6.6%	3.5%	1.0%

a Assumes reduced participation rates.
b Assumes reduced participation rates and higher productivity rates.
c Assumes only reduced working time.
d Assumes only an increase in domestic and external demand.

Note: The relative unemployment index, which Statistics Canada terms "labour market tension," compares the supply of labour to the demand for labour.
Source: Statistics Canada, special tabulations for the Commission of Inquiry on Unemployment Insurance.

future. These numbers summarize a large part of what is known about demographically induced change on labour force composition, demand for goods and services, trends in labour force participation, and productivity improvements. They are not forecasts. They are a set of tools to help evaluate the long-term and short-term implications of various policy alternatives.

This exercise is a fairly primitive attempt to formulate a human resource policy. Conclusions should not be drawn from it. Its value is to demonstrate, however imperfectly, how a human resources development policy might be developed and what kinds of issues an analytical framework should tackle.

Note

1 Canada, Department of National Health and Welfare, Policy Research and Long Range Planning, *Retirement in Canada* (2 vols.) (Ottawa: The Department, 1977).

Appendix F

The Unemployment Insurance Program

Objectives

Unemployment Insurance is a national program with two objectives:

- to provide income protection for workers suffering temporary income interruptions; and
- to facilitate the best possible match between unemployed workers and available jobs.

Coverage

The program insured 11.5 million Canadian workers in 1984. These workers are referred to as being in insurable employment. The main exclusions from coverage are those 65 years of age and over, the self-employed (except fishermen who are covered by special arrangement), and those who work less than 15 hours per week and earn less than 20 percent of the maximum insurable earnings ($99 per week in 1986).

Eligibility Requirements

To qualify for benefits, claimants must have suffered an interruption of earnings from employment and accumulated a specified number of weeks of insurable employment.

In general, the interruption of earnings for the insured person who ceased work by reason of sickness, maternity or adoption occurs in the week when normal employment earnings drop below 60 percent of normal weekly insurable earnings from that employment. For others, it occurs when, following separation from employment, the insured person has a period of seven days with no paid employment.

The basic entrance requirement varies from 10 to 14 weeks of insurable employment in the qualifying period (which is usually the past 52 weeks), depending on the unemployment rate in the Unemployment Insurance economic region in which the claimant resides. Figure F.1 shows the variable entrance requirement.

Claimants who have already received benefits during the qualifying period are program repeaters. To qualify, they require an additional week of employment for every week of benefit they collect in excess of the minimum entrance requirement for the region, to a maximum of 6 weeks, as shown in Figure F.2. To illustrate, for a claimant who had drawn 20 weeks of benefits in the previous 52

Figure F.1
Variable Entrance Requirement

Regional rate of unemployment	Weeks of insurable employment required
6% & under	14
6.1–7%	13
7.1–8%	12
8.1–9%	11
Over 9%	10

Figure F.2
Insurable Weeks Required by Repeat Claimants by Region

Weeks of benefits paid/payable in qualifying period	Weeks of insurable employment at regional unemployment rate					
	6% & under	6.1–7%	7.1–8%	8.1–9%	9.1–11.9%	Over 11.9%
10 & under	14	13	12	11	10	10
11	14	13	12	11	11	10
12	14	13	12	12	12	10
13	14	13	13	13	13	10
14	14	14	14	14	14	10
15	15	15	15	15	15	10
16	16	16	16	16	16	10
17	17	17	17	17	16	10
18	18	18	18	17	16	10
19	19	19	18	17	16	10
20 & over	20	19	18	17	16	10

weeks in a region where the unemployment rate was less than 6 percent, the requirement would be 20 weeks of insurable employment (that is, the normal 14 weeks plus a penalty of 6 weeks); whereas in a region where the unemployment rate was between 9 and 11.5 percent, the individual would require only 16 weeks (the normal 10 weeks plus a 6-week penalty). The repeater provision does not apply in regions with unemployment rates over 11.5 percent.

Claimants who had less than a combined total of 14 weeks of insurable employment, Unemployment Insurance benefits or other weeks prescribed by regulation in the 52-week period preceding the qualifying period (i.e., the previous 104 weeks) are new entrants or re-entrants to the labour force. They are required to have 20 weeks of insurable employment in the qualifying period.

The qualifying period of up to 52 weeks may be extended to a maximum of 104 weeks if the claimant was prevented from working because of sickness, pregnancy, imprisonment, attendance at an approved training course, or receipt of Workers' Compensation for temporary total disability.

The insurable weeks and insurable earnings are reported by the employer on the Record of Employment, which the employee uses at the time of application for benefits.

Figure F.3

Labour Force Extended Benefits

Weeks of insurable employment in claimant's qualifying period	Maximum labour force extended benefit payable (weeks)
27 or 28	1
29 or 30	2
31 or 32	3
33 or 34	4
35 or 36	5
37 or 38	6
39 or 40	7
41 or 42	8
43 or 44	9
45 or 46	10
47 or 48	11
49 or 50	12
Over 50	13

Benefits

Benefits are paid during a benefit period generally of up to 50 weeks after a two-week waiting period has been served. Employment earnings in the waiting period are deducted from the first three weeks of benefits payable. Deductions made for each week in the waiting period do not exceed the benefit rate. Income received as sick or maternity leave or from any group wage-loss insurance plan during sickness or maternity is not taken into account as earnings in the waiting period.

Regular benefits are payable in three successive phases:

- Initial benefits – one week of benefits for each week of insurable employment (maximum 25 weeks in the 52-week benefit period).
- Labour force extended benefits – one week of benefits for every two insurable weeks (maximum 13 weeks), in accordance with Figure F.3.
- Regionally extended benefits – two weeks of benefits for every 0.5 percent that the regional unemployment rate exceeds 4.0 percent, to a maximum of 32 weeks, in accordance with Figure F.4.

Figure F.4

Regionally Extended Benefits

Regional rate of unemployment	Maximum regionally extended benefit payable (weeks)
4.1–4.5%	2
4.6–5%	4
5.1–5.5%	6
5.6–6%	8
6.1–6.5%	10
6.6–7%	12
7.1–7.5%	14
7.6–8%	16
8.1–8.5%	18
8.6–9%	20
9.1–9.5%	22
9.6–10%	24
10.1–10.5%	26
10.6–11%	28
11.1–11.5%	30
Over 11.5%	32

The overall maximum is 50 weeks of benefits in the 52-week benefit period.

For the purposes of the entrance requirements and the payment of benefits, Canada is currently divided into 48 economic regions.

Sickness benefits are payable to claimants who prove incapacity by way of a medical certificate and who have at least 20 weeks of insurable employment. A maximum of 15 weeks of sickness benefits are payable as part of the maximum of 25 weeks of initial benefits.

Maternity benefits are payable to claimants who prove pregnancy by way of a medical certificate and who have 20 weeks of insurable employment. A maximum of 15 consecutive weeks of maternity benefits are payable as part of initial benefits. These must be the first 15 weeks of initial benefits and may commence as early as 8 weeks before the expected week of confinement for birth and as late as 17 weeks after birth. (Note: A pregnant woman who does not qualify for maternity benefits is not entitled to any benefits in the period starting 8 weeks before and ending 6 weeks after the week of confinement.) When adopting a child, either parent may be entitled to receive up to 15 weeks of adoption benefits commencing with the week of actual placement of the child. The combination of sickness and maternity benefits cannot exceed 15 weeks.

A special severance benefit of three weeks is payable in lump sum to those who have attained the age of 65 years and have 20 insurable weeks in the qualifying period. Benefits may also be paid to claimants undertaking approved training, or participating in approved job creation projects or work-sharing agreements. The benefit periods and weeks of benefits payable in these cases can exceed the usual maximum of 50 weeks.

Claimants are disqualified from receiving benefits for up to six weeks if they have quit a job without just cause, been fired for misconduct on the job, or refused suitable employment. Claimants who fail to prove their entitlement for reasons such as non-availability for work are not entitled to benefit for as long as such a condition exists. Benefits are not payable to claimants involved in labour disputes.

The benefit rate is 60 percent of average insurable earnings in the qualifying weeks. These are the last 20 weeks of the qualifying period for those with 20 or more weeks of insurable employment or all weeks in the qualifying period in the case of those with less than 20 insurable weeks. The maximum weekly benefit amount in 1986 is $297. Unemployment Insurance benefits are taxable for income tax purposes.

Decisions affecting benefits may be appealed in the first instance to a Board of Referees and in the second instance to an Umpire of the Federal Court. Under special circumstances an appeal can be made to the Federal Court of Appeal and the Supreme Court of Canada.

Special provisions affect benefits for fishermen. For example, self-employed fishermen can draw the special fishing benefit only from November 1 to May 4, or from May 1 until November 15.

A portion of Unemployment Insurance benefits may have to be repaid by some claimants. If the claimant's net income (including Unemployment Insurance) for income tax purposes exceeds $38,766 in 1986, the claimant will be required to repay up to 30 percent of the Unemployment Insurance benefits received in 1986 or 30 percent of net income over $38,766 in 1986, whichever is lower.

Effect of Earnings on Benefits

All earnings from employment which are in excess of 25 percent of Unemployment Insurance benefits received during the benefit period are deducted from benefits. This is known as the allowable earnings rule. All earnings received from employment while receiving sickness or maternity benefits are deducted from benefits.

Monies received such as vacation pay, separation pay, retirement pensions, wages in lieu of notice, and bonuses and gratuities are treated as earnings and have the effect of reducing and/or postponing benefits. Monies received such as disability pensions, relief grants, non-group sick plan payments, or supplemental unemployment benefits are not treated as earnings for benefit purposes and do not reduce or postpone benefits.

Financing

The Unemployment Insurance program is financed on a tripartite basis through contributions from employer and employee premiums and the federal government. The basic employee premium rate for 1986 is $2.35 for each $100 of weekly insurable earnings. The employer premium is 1.4 times the employee rate ($3.29 per $100 in 1986). The maximum weekly insurable earnings in 1986 is $495. It is increased in accordance with the rate of increase in wages and salaries averaged over the most recent eight-year period.

Premiums are tax deductible. Premium revenues absorb the cost of benefits for the initial and labour force extended phases, sickness, maternity, adoption, special severance and work sharing as well as the costs of administering the Unemployment Insurance Act, which includes the National Employment Service.

The federal government contribution absorbs the cost of regionally extended benefits, the cost of benefits for self-employed fishermen that is in excess of premiums from that employment, and the cost of extended benefits for those undertaking approved training or participating in approved work-sharing or job creation projects.

Organization and Administration

In general, the Minister of Employment and Immigration is responsible for the Unemployment Insurance Act, and the Canada Employment and Immigration Commission is the corporate body responsible for administering the Unemployment Insurance program. Special arrangements exist, however, for the collection of premiums and the determination of insurable employment, as well as the benefit repayment provision. These are the responsibility of the Minister of National Revenue and are administered by the Department of National Revenue, Taxation.

Appendix G

Statistical Appendix

This appendix contains more detailed statistical information on who uses the current program. In addition, it provides some background information on the assumptions underlying the simulation analysis of the various options discussed in Chapter 7 as well as providing more information on the impact of these options on particular individuals.

The Current Program

Information in Figures G.1 to G.12 provides background data on the operation of the current Unemployment Insurance program. Figures G.1 to G.7 provide information on the relationship between weeks worked and weeks on claim for regular claims terminating in 1984. The information from Figure G.2 is the basis for the histogram in Figure 2.18 (in Chapter 2). Figures G.3 to G.7 contain similar information by region. Figures G.8 to G.12 present information about the utilization of Unemployment Insurance, by industry, by age group and sex, by family income and by province. A similar table is available by occupation (see Figure 2.14 in Chapter 2).

Figure G.1

Proportion of Claimants Exhausting by Weeks of Insurable Employment, 1984

Weeks of insurable employment	Number of claimants	Number of exhaustees	Proportion of claimants exhausting
10–14	207,100	68,300	33.0%
15–19	174,500	48,700	27.9%
20–24	321,300	93,700	29.2%
25–29	208,700	49,100	23.5%
30–34	116,300	33,600	28.9%
35–39	131,800	27,500	20.9%
40–44	147,900	31,100	21.0%
45–49	151,600	42,000	27.7%
50–51	145,300	46,200	31.8%
52+	230,100	80,500	35.0%
Total	1,834,600	520,700	28.4%

Note: Data are for regular claims terminating in 1984.
Source: Calculations based on data provided by the Canada Employment and Immigration Commission.

Figure G.2

Canada: Number of Regular Claims 1984 [a]

Weeks of insurable employment	Weeks of benefit received						
	0	1–4	5–9	10–14	15–19	20–24	25–29
10–14	2,900	5,600	7,000	9,200	12,000	15,300	21,200
15–19	3,400	5,900	10,900	12,900	13,700	15,100	20,000
20–24	7,800	11,800	19,300	20,700	24,200	31,800	40,700
25–29	5,500	10,600	15,500	21,800	22,400	29,500	23,400
30–34	6,400	8,500	16,000	21,100	26,800	19,000	12,900
35–39	5,600	8,100	20,600	20,400	16,500	9,200	8,600
40–44	7,400	12,000	39,700	15,000	11,900	9,700	7,500
45–49	14,400	18,300	16,300	12,000	12,100	10,400	9,400
50–51	11,400	13,900	13,200	10,200	10,500	9,100	9,200
52+	12,900	17,500	19,300	17,600	16,300	15,300	16,100
Total	77,700	112,200	177,800	160,900	166,400	164,400	169,000

Weeks of insurable employment	Percentage distribution of claimants by duration of benefits						
	0	1–4	5–9	10–14	15–19	20–24	25–29
10–14	1.4	2.7	3.4	4.4	5.8	7.4	10.2
15–19	1.9	3.4	6.2	7.4	7.9	8.7	11.5
20–24	2.4	3.7	6.0	6.4	7.5	9.9	12.7
25–29	2.6	5.1	7.4	10.4	10.7	14.1	11.2
30–34	3.8	5.1	9.6	12.7	16.1	11.4	7.8
35–39	4.3	6.2	15.6	15.5	12.5	7.0	6.5
40–44	5.0	8.1	26.9	10.1	8.1	6.6	5.1
45–49	9.5	12.1	10.8	7.9	8.0	6.9	6.2
50–51	7.8	9.6	9.1	7.0	7.2	6.3	6.3
52+	5.6	7.6	8.4	7.7	7.1	6.7	7.0
Total	4.1	6.0	9.4	8.5	8.8	8.7	9.0

[a] Only regular beneficiaries who received no other types of benefits are included. Data include all claims terminating in 1984.

Note: Few 10–19-week workers collect for 50+ as they are not eligible but a large proportion collect for 30–49 weeks (more detailed data show a strong concentration at 40–44 weeks). The longer the labour force attachment, the more prevalent are claimants with short duration. About 5% of claimants have 10–19 weeks of insurable employment and collect for 40 or more weeks.

Source: Calculations based on data provided by Canada Employment and Immigration Commission.

30–34	35–39	40–44	45–49	50+	Total
33,200	40,300	49,300	10,400	700	207,100
26,600	22,100	15,400	21,500	7,000	174,500
38,200	31,900	29,600	25,500	39,800	321,300
15,400	16,100	17,500	11,900	19,100	208,700
11,600	10,000	10,900	9,800	13,300	166,300
9,400	5,800	6,800	8,700	12,000	131,700
7,900	5,900	7,000	11,000	12,800	147,800
6,800	9,600	12,300	11,400	18,500	151,500
8,200	9,100	14,200	14,600	21,800	145,400
12,900	12,100	23,500	26,200	40,300	230,000
170,200	162,900	186,500	151,000	185,300	1,884,300

30–34	35–39	40–44	45–49	50+	Total	Percent of claimants by weeks of insured employment
16.0	19.5	23.8	5.0	0.3	100.0	11.0%
15.2	12.7	8.8	12.3	4.0	100.0	9.3%
11.9	9.9	9.2	7.9	12.4	100.0	17.1%
7.4	7.7	8.4	5.7	9.2	100.0	11.1%
7.0	6.0	6.6	5.9	8.0	100.0	8.8%
7.1	4.4	5.2	6.6	9.1	100.0	7.0%
5.3	4.0	4.7	7.4	8.7	100.0	7.8%
4.5	6.3	8.1	7.5	12.2	100.0	8.0%
5.6	6.3	9.8	10.0	15.0	100.0	7.7%
5.6	5.3	10.2	11.4	17.5	100.0	12.2%
9.0	8.6	9.9	8.0	9.8	100.0	100.0%

Figure G.3
Atlantic Canada: Number of Regular Claims 1984[a]

Weeks of insurable employment	Weeks of benefit received						Total
	0–9	10–19	20–29	30–39	40–49	50+	
10–19	2,900	5,800	10,000	29 600	19,100	1,300	68,700
20–29	6,100	7,100	11,700	10,600	7,200	5,700	48,400
30–39	4,300	8,300	5,800	4,800	4,000	2,700	29,900
40–49	6,800	2,800	2,700	2,300	3,500	1,900	20,000
50+	6,200	4,600	3,900	4,600	6,900	4,600	30,800
Total	26,300	28,600	34,100	51,900	40,700	16,200	197,800

Weeks of insurable employment	Percentage distribution of claimants by duration of benefits						Total	Percent of claimants by weeks of insured employment
	0–9	10–19	20–29	30–39	40–49	50+		
10–19	4.2%	8.4%	14.6%	43.1%	27.8%	1.9%	100.0%	34.7%
20–29	12.6%	14.7%	24.2%	21.9%	14.9%	11.8%	100.0%	24.5%
30–39	14.4%	27.8%	19.4%	16.1%	13.4%	9.0%	100.0%	15.1%
40–49	34.0%	14.0%	13.5%	11.5%	17.5%	9.5%	100.0%	10.1%
50+	20.1%	14.9%	12.7%	14.9%	22.4%	14.9%	100.0%	15.6%
Total	13.3%	14.5%	17.2%	26.2%	20.6%	8.2%	100.0%	100.0%

[a] Only regular beneficiaries who received no other types of benefits are included. Data include all claims terminating in 1984.

Note: More claimants have a short labour force attachment and a longer duration than in other regions. About 10% of claimants have 10–19 weeks of insurable employment and collect benefits for 40 or more weeks.

Source: Calculations based on data provided by Canada Employment and Immigration Commission

Figure G.4
Quebec: Number of Regular Claims, 1984[a]

Weeks of insurable employment	Weeks of benefit received						Total
	0–9	10–19	20–29	30–39	40–49	50+	
10–19	13,400	17,900	29,000	42,000	37,000	3,600	142,900
20–29	22,800	31,800	48,600	38,400	30,200	28,600	200,400
30–39	23,100	31,000	14,900	11,400	9,600	7,400	97,400
40–49	34,200	15,700	12,800	8,400	10,800	10,600	92,500
50+	28,500	14,800	15,000	13,200	25,000	22,700	119,200
Total	122,000	111,200	120,300	113,400	112,600	72,900	652,400

Weeks of insurable employment	Percentage distribution of claimants by duration of benefits						Total	Percent of claimants by weeks of insured employment
	0–9	10–19	20–29	30–39	40–49	50+		
10–19	9.4%	12.5%	20.3%	29.4%	25.9%	2.5%	100.0%	21.9%
20–29	11.4%	15.9%	24.3%	19.2%	15.1%	14.3%	100.0%	30.7%
30–39	23.7%	31.8%	15.3%	11.7%	9.9%	7.6%	100.0%	14.9%
40–49	37.0%	17.0%	13.8%	9.1%	11.7%	11 5%	100.0%	14.2%
50+	23.9%	12.4%	12.6%	11.1%	21.0%	19.0%	100.0%	18.3%
Total	18.7%	17.0%	18.4%	17.4%	17.3%	11.2%	100.0%	100.0%

[a] Only regular beneficiaries who received no other types of benefits are included. Data include all claims terminating in 1984.

Note: The Quebec data are very much like the data for Canada as a whole.

Source: Calculations based on data provided by Canada Employment and Immigration Commission.

Figure G.5
Ontario: Number of Regular Claims, 1984[a]

Weeks of insurable employment	Weeks of benefit received						Total
	0–9	10–19	20–29	30–39	40–49	50+	
10–19	10,000	10,000	14,300	17,300	9,300	1,300	62,200
20–29	20,600	23,000	28,900	20,400	18,700	7,200	118,800
30–39	18,600	22,100	12,200	7,600	11,400	6,200	78,100
40–49	32,100	14,500	8,100	7,100	11,600	7,700	81,100
50+	26,700	15,700	12,900	10,000	22,700	16,900	105,000
Total	108,000	85,300	76,400	62,500	73,700	39,300	445,200

Weeks of insurable employment	Percentage distribution of claimants by duration of benefits						Total	Percent of claimants by weeks of insured employment
	0–9	10–19	20–29	30–39	40–49	50+		
10–19	16.1%	16.1%	23.0%	27.8%	15.0%	2.1%	100.0%	14.0%
20–29	17.3%	19.4%	24.3%	17.2%	15.7%	6.1%	100.0%	26.7%
30–39	23.8%	28.3%	15.6%	9.7%	14.6%	7.9%	100.0%	17.5%
40–49	39.6%	17.9%	10.0%	8.8%	14.3%	9.5%	100.0%	18.2%
50+	25.4%	15.0%	12.3%	9.6%	21.6%	16.1%	100.0%	23.6%
Total	24.3%	19.2%	17.2%	14.0%	16.6%	8.8%	100.0%	100.0%

[a] Only regular beneficiaries who received no other types of benefits are included. Data include all claims terminating in 1984.

Note: There are fewer short-term attachment claimants in Ontario. They tend to have shorter durations than in other provinces.

Source: Calculations based on data provided by Canada Employment and Immigration Commission.

Figure G.6
Prairies: Number of Regular Claims, 1984[a]

Weeks of insurable employment	Weeks of benefit received						Total
	0–9	10–19	20–29	30–39	40–49	50+	
10–19	3,800	6,000	6,300	6,900	6,300	200	29,500
20–29	11,900	14,600	19,200	14,700	13,800	5,100	79,300
30–39	12,500	13,700	9,900	7,300	6,000	4,200	53,600
40–49	18,100	10,900	7,000	7,100	7,900	5,100	56,000
50+	14,800	11,500	11,800	7,900	11,500	8,600	66,100
Total	61,100	56,700	54,200	43,800	45,500	23,200	284,500

Weeks of insurable employment	Percentage distribution of claimants by duration of benefits						Total	Percent of claimants by weeks of insured employment
	0–9	10–19	20–29	30–39	40–49	50+		
10–19	12.9%	20.3%	21.4%	23.4%	21.4%	0.7%	100.0%	10.4%
20–29	15.0%	18.4%	24.2%	18.5%	17.4%	6.4%	100.0%	28.9%
30–39	23.3%	25.6%	18.5%	13.6%	11.2%	7.8%	100.0%	18.8%
40–49	32.3%	19.5%	12.5%	12.5%	14.1%	9.1%	100.0%	19.7%
50+	22.4%	17.4%	17.9%	12.0%	17.4%	13.0%	100.0%	23.2%
Total	21.5%	19.9%	19.1%	15.4%	16.0%	8.2%	100.0%	100.0%

[a] Only regular beneficiaries who received no other types of benefits are included. Data include all claims terminating in 1984.

Note: There are fewer short-term attachment claimants (only 10%) and they tend to have shorter durations of benefits. Only about 2% of claimants had short attachments and collected for more than 40 weeks.

Source: Calculations based on data provided by Canada Employment and Immigration Commission.

Figure G.7

British Columbia: Number of Regular Claims, 1984[a]

Weeks of insurable employment	Weeks of benefit received						Total
	0–9	10–19	20–29	30–39	40–49	50+	
10–19	4,890	5,600	7,300	12,300	13,200	1,300	44,600
20–29	8,300	9,800	11,700	11,700	10,600	9,500	61,600
30–39	5,900	8,800	6,000	5,700	4,600	4,600	35,600
40–49	15,200	6,700	6,700	4,400	7,300	5,900	45,200
50+	11,800	6,900	6,000	5,700	12,400	9,200	52,000
Total	46,100	37,800	36,700	39,800	48,100	30,500	239,000

Weeks of insurable employment	Percentage distribution of claimants by duration of benefits						Total	Percent of claimants by weeks of insured employment
	0–9	10–19	20–29	30–39	40–49	50+		
10–19	11.0%	12.6%	16.4%	27.6%	29.6%	2.9%	100.0%	18.7%
20–29	13.5%	15.9%	19.0%	19.0%	17.2%	15.4%	100.0%	25.8%
30–39	16.6%	24.7%	16.9%	16.0%	12.9%	12.9%	100.0%	14.9%
40–49	33.6%	14.8%	12.6%	9.7%	16.2%	13.1%	100.0%	18.9%
50+	22.7%	13.3%	11.5%	11.0%	23.8%	17.7%	100.0%	21.8%
Total	19.3%	15.8%	15.4%	16.7%	20.1%	12.8%	100.0%	100.0%

[a] Only regular beneficiaries who received no other types of benefits are included. Data include all claims terminating in 1984.

Note: Compared to Canada, British Columbia has more claimants with 50 or more weeks. Duration patterns are very much like the averages for Canada.

Source: Calculations based on data provided by Canada Employment and Immigration Commission.

Figure G.8

Unemployment Insurance Claims and Employment by Industry, 1984

Industry	Claimants		Paid employment		Ratio of claimant percent to employment percent
Fishing	18,000	0.7%	14,000	0.1%	5.27
Construction	257,000	11.0%	472,000	4.8%	2.29
Forestry	29,000	1.2%	68,000	0.7%	1.77
Finance	213,000	9.1%	607,000	6.2%	1.48
Agriculture	52,000	2.2%	156,000	1.6%	1.39
Manufacturing	486,000	20.7%	1,938,000	19.7%	1.05
Public administration	171,000	7.3%	791,000	8.0%	0.91
Mines	38,000	1.6%	180,000	1.8%	0.88
Service	580,000	24.7%	3,093,000	31.4%	0.79
Trade	323,000	13.8%	1,721,000	17.5%	0.79
Transport	112,000	4.8%	808,000	8.2%	0.58
Other	68,000	2.9%	—	0.0%	—
All industries	2,346,000	100.0%	9,848,000	100.0%	1.00

Note: Claimants are persons whose claims terminated in 1984. Employment is the annual average for 1984.

Source: Special tabulation based on Canadian Employment and Immigration Commission.

Figure G.9
Unemployment Insurance Claims and Employment by Age Group, 1984

Age group	Total employment 1984	Number of claimants 1984	Total regular benefits ($ million)	Ratio of benefits to contributions[a]	Excess of benefits over contributions ($ million)
Under 20	834,000	107,000	302	1.05	14
20–24	1,540,000	591,000	2,013	1.63	779
25–34	3,117,000	883,000	3,499	1.12	371
35–44	2,528,000	461,000	1,813	0.71	–733
45–54	1,719,000	30,000	1,187	0.70	–517
55–65	1,074,000	258,000	1,093	1.09	87
All groups	10,812,000	2,602,000	9,907	1.00	0

[a] The federal contribution is apportioned using the distribution of federal tax revenue.

Sources: Statistics Canada, *Benefit Periods Established and Terminated under the Unemployment Insurance Act 1984* (Cat. no. 73-201), 1986; *The Labor Force, December 1984* (Cat. no. 71-001), 1985; Department of National Revenue, *Taxation Statistics 1983* (Ottawa: Minister of Supply and Services Canada, 1985).

Figure G.10
Unemployment Insurance Claims and Employment by Age Group and Sex, 1984

Age group	Total employment 1984		Number of claimants 1984		Total regular benefits		Ratio of benefits to contributions[a]		Excess of benefits over contributions	
	Males	Females	Males	Females	Males ($ million)	Females ($ million)	Males	Females	Males ($ million)	Females ($ million)
under 20	433,000	401,000	66,000	41,000	209	93	1.24	0.78	40	– 26
20–24	800,000	740,000	356,000	235,000	1,338	675	1.88	1.29	627	152
25–34	1,781,000	1,336,000	516,000	368,000	2,202	1,297	1.10	1.15	203	168
35–44	1,471,000	1,057,000	276,000	185,000	1,195	619	0.70	0.74	– 521	– 213
45–54	1,049,000	671,000	187,000	114,000	810	377	0.68	0.75	– 388	– 129
55–65	709,000	365,000	179,000	80,000	820	273	1.10	1.03	78	9
All groups	6,243,000	4,570,000	1,580,000	1,022,000	6,573	3,334	1.01	0.99	39	– 39

[a] The federal contribution is apportioned using the distribution of federal tax revenue.

Sources: Statistics Canada, *Benefit Periods Established and Terminated under the Unemployment Insurance Act 1984* (Cat. no. 73-201), 1986; Department of National Revenue, *Taxation Statistics 1983* (Ottawa: Minister of Supply and Services Canada, 1985).

Figure G.11

Distribution of Unemployment Insurance Benefits by Family Income, 1982

Family income in 1982	Total estimated benefit ($ million)	Percentage distribution
Less than $10,000	821	11.5%
$10,000–20,000	2,048	28.7%
$20,000–30,000	1,763	24.7%
$30,000–40,000	1,189	16.7%
$40,000–50,000	633	8.9%
$50,000 & over	681	9.5%
Total	7,135	100.0%

Note: Total does not match administrative data since the source for these data is a survey subject to undercounting.
Source: Special tabulation by the Commission of Inquiry on Unemployment Insurance based on data supplied by Statistics Canada.

Figure G.12

Unemployment Insurance Claims and Employment by Province, 1984

Province	Total employment 1984	Number of claimants 1984	Total regular benefits ($ million)	Ratio of benefits to contribution[a]	Excess of benefits over contributions ($ million)
Newfoundland	176,000	111,000	494	3.38	348
Prince Edward Island	49,000	22,000	93	2.83	60
Nova Scotia	337,000	106,000	403	1.40	115
New Brunswick	248,000	10,000	480	2.24	266
Quebec	2,722,000	74,000	2,945	1.24	578
Ontario	4,243,000	809,000	2,649	0.67	−1,323
Manitoba	472,000	91,000	299	0.78	−85
Saskatchewan	439,000	68,000	235	0.74	−83
Alberta	1,114,000	217,000	897	0.88	−122
British Columbia	1,202,000	316,000	1,376	1.22	248
Yukon	N/A	4,000	19	1.80	9
Northwest Territories	N/A	4,000	16	0.61	−10
Canada	11,002,000	2,601,000	9,905	1.00	0

a The federal contribution is apportioned using the distribution of federal tax revenue.
Sources: Statistics Canada, *Benefit Periods Established and Terminated under the Unemployment Insurance Act 1984* (Cat. no. 73-201), 1986; *The Labour Force, December 1984* (Cat. no. 71-001) 1985; Department of National Revenue, *Taxation Statistics 1983* (Ottawa: Minister of Supply and Services Canada, 1985).

Options for Change to Unemployment Insurance

Estimating the likely impact of changes in Unemployment Insurance is not an exact science. The analysis is limited by the available claimant information and the lack of objective information about the likely magnitude of changes in behaviour that would result from changes in the Unemployment Insurance scheme. This latter limitation is particularly acute since some of the proposals are intended to induce such changes in behaviour. In addition, the impact of policy changes depends on overall economic conditions, the local unemployment rates and claimant characteristics.

In considering the estimates it should be borne in mind that the impact of changes made in the late 1980s, the earliest possible date of implementation, will not be the same as that estimated here using 1984 claimant characteristics. Not only will economic circumstances differ but the estimated impact of options such as Annualization depends on behavioural response; we have assumed no change in behaviour. The Annualization proposal was estimated to reduce regular benefits in the current system by about 32 percent. The impact in years with low unemployment is more severe; varying from about 24 percent in 1983 (a high unemployment year) to about 38 percent in 1973 (a low unemployment year). This is because in periods of high unemployment a greater proportion of claimants have long labour force attachments. The impacts of the One-for-One option, the Macdonald Royal Commission proposal and the Enriched Current Program option will also depend on the labour force characteristics of the claimant population which, in turn, varies with the overall economic situation.

For these reasons one cannot accept the estimates contained here as mathematical absolutes. No estimates based on 1984 data will yield an exact statistical cost of the various programs operating in 1988. Rather they are a means of comparing the likely impacts of the options. Other methodologies could generate other estimates which will differ somewhat from those presented here.

The estimated changes in program expenditures included here are for regular benefits only (excluding maternity, fishing, sickness etc.). The base data used are the number of claims terminating in 1984 (the most recent data available on completed claims) by region, by weeks of insurable employment and by duration of benefits. The earnings levels have been imputed using the 1985 insurable earnings distribution of claimants by weeks of insurable employment. One should further note that the estimated effects of program change would differ somewhat, but not materially, if other data were used; for example, all claimants instead of regular claimants or all claims in a calendar year rather than claims terminating in the year.

The simulation analysis involved several other difficulties. First, the effect of eliminating Variable Entrance Requirements is not estimated. This is because there is no information on the number of people who currently fail to qualify for Unemployment Insurance but have 10 or more weeks of insurable employment. The impact of ignoring this change is likely to be small, however, since only 13 Unemployment Insurance regions have an eligibility requirement of more than 10 weeks.

Second, costing the impact of increasing maximum benefit duration is difficult because there is no information on how much longer exhaustees would have claimed benefits if permitted to do so. The maximum possible cost impact can be estimated, however, by assuming that all current exhaustees will continue to collect benefits to the new maximum duration (a worst case scenario). When Annualization and the Enriched Current Program are presented in the text an indication is made about the assumed take-up of the increased number of weeks available.

No information exists from claimant data on earnings above the maximum insurable level. These data were imputed using information on the earnings level of Unemployment Insurance claimants from Taxation Statistics. To cost options such as the Macdonald Royal Commission proposal, data are required on claimants with more than 52 weeks of insurable employment. This was imputed using labour force survey data on job tenure.

The Impact of the Options on Individuals

Figures G-13 to G-24 indicate the impact on individuals in St. John's, Winnipeg and Toronto, of the proposals which are outlined in Chapter 7 (Annualization, the One-for-One option, the Macdonald Royal Commission proposal, and the Enriched Current Program option). In these figures the actual weeks of unemployment include the waiting period.

Figure G.13

Effect of Annualization on Individuals in St. John's

(Average insured earnings $400, local unemployment rate 14.5%, minimum weeks 10)

Weeks of insurable employment	Maximum weeks of benefit	Weekly benefit	Maximum total benefit	Actual benefits by actual weeks of unemployment (dollars)				
				10	20	30	40	50
Benefits available under present system								
10	42	240	10,080	1,920	4,320	6,720	9,120	10,080
20	50	240	12,000	1,920	4,320	6,720	9,120	11,520
30	50	240	12,000	1,920	4,320	6,720	9,120	11,520
40	50	240	12,000	1,920	4,320	6,720	9,120	11,520
50	50	240	12,000	1,920	4,320	6,720	9,120	11,520
52	50	240	12,000	1,920	4,320	6,720	9,120	11,520
Benefits available with Annualization								
10	50	51	2,550	408	918	1,428	1,938	2,448
20	50	102	5,100	816	1,836	2,856	3,876	4,896
30	50	154	7,700	1,232	2,772	4,312	5,852	7,392
40	50	205	10,250	1,640	3,690	5,740	7,790	9,840
50	50	256	12,800	2,048	4,608	7,168	9,728	12,288
52	50	266	13,300	2,128	4,788	7,448	10,108	12,768
Difference from present system								
10	8	−189	−7,530	−1,512	−3,402	−5,292	−7,182	−7,632
20	0	−138	−6,900	−1,104	−2,484	−3,864	−5,244	−6,624
30	0	−86	−4,300	−688	−1,548	−2,408	−3,268	−4,128
40	0	−35	−1,750	−280	−630	−980	−1,330	−1,680
50	0	16	800	128	288	448	608	768
52	0	26	1,300	208	468	728	988	1,248
Percentage difference from present system								
10	19.0%	−78.8%	−74.7%	−78.8%	−78.8%	−78.8%	−78.8%	−75.7%
20	0.0%	−57.5%	−57.5%	−57.5%	−57.5%	−57.5%	−57.5%	−57.5%
30	0.0%	−35.8%	−35.8%	−35.8%	−35.8%	−35.8%	−35.8%	−35.8%
40	0.0%	−14.6%	−14.6%	−14.6%	−14.6%	−14.6%	−14.6%	−14.6%
50	0.0%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
52	0.0%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%

Figure G.14

Effect of Annualization on Individuals in Winnipeg

(Average insured earnings $400, local unemployment rate 8.6%, minimum weeks 11)

Weeks of insurable employment	Maximum weeks of benefit	Weekly benefit	Maximum total benefit	Actual benefits by actual weeks of unemployment (dollars)				
				10	20	30	40	50
Benefits available under present system								
10	0	240	0	0	0	0	0	0
20	38	240	9,120	1,920	4,320	6,720	9,120	9,120
30	45	240	10,800	1,920	4,320	6,720	9,120	10,800
40	50	240	12,000	1,920	4,320	6,720	9,120	11,520
50	50	240	12,000	1,920	4,320	6,720	9,120	11,520
52	50	240	12,000	1,920	4,320	6,720	9,120	11,520
Benefits available with Annualization								
10	50	51	2,550	408	918	1,428	1,938	2,448
20	50	102	5,100	816	1,836	2,856	3,876	4,896
30	50	154	7,700	1,232	2,772	4,312	5,852	7,392
40	50	205	10,250	1,640	3,690	5,740	7,790	9,840
50	50	256	12,800	2,048	4,608	7,168	9,728	12,288
52	50	266	13,300	2,128	4,788	7,448	10,108	12,768
Difference from present system								
10	50	−189	2,550	408	918	1,428	1,938	2,448
20	12	−138	−4,020	−1,104	−2,484	−3,864	−5,244	−4,224
30	5	−86	−3,100	−688	−1,548	−2,408	−3,268	−3,408
40	0	−35	−1,750	−280	−630	−980	−1,330	−1,680
50	0	16	800	128	288	448	608	768
52	0	26	1,300	208	468	728	988	1,248
Percentage difference from present system								
10	—	—	—	—	—	—	—	—
20	31.6%	−57.5%	−44.1%	−57.5%	−57.5%	−57.5%	−57.5%	−46.3%
30	11.1%	−35.8%	−28.7%	−35.8%	−35.8%	−35.8%	−35.8%	−31.6%
40	0.0%	−14.6%	−14.6%	−14.6%	−14.6%	−14.6%	−14.6%	−14.6%
50	0.0%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
52	0.0%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%

Figure G.15

Effect of Annualization on Individuals in Toronto

(Average insured earnings $400, local unemployment rate 5.8%, minimum weeks 14)

Weeks of insurable employment	Maximum weeks of benefit	Weekly benefit	Maximum total benefit	Actual benefits by actual weeks of unemployment (dollars)				
				10	20	30	40	50
Benefits available under present system								
10	0	240	0	0	0	0	0	0
20	28	240	6,720	1,920	4,320	6,720	6,720	6,720
30	35	240	8,500	1,920	4,320	6,720	8,400	8,400
40	40	240	9,600	1,920	4,320	6,720	9,120	9,600
50	45	240	10,800	1,920	4,320	6,720	9,120	10,800
52	46	240	11,040	1,920	4,320	6,720	9,120	11,040
Benefits available with Annualization								
10	50	51	2,550	408	918	1,428	1,938	2,448
20	50	102	5,100	816	1,836	2,856	3,876	4,896
30	50	154	7,700	1,232	2,772	4,312	5,852	7,392
40	50	205	10,250	1,640	3,690	5,740	7,790	9,840
50	50	256	12,800	2,048	4,608	7,168	9,728	12,288
52	50	266	13,300	2,128	4,788	7,448	10,108	12,768
Difference from present system								
10	50	−189	2,550	408	918	1,428	1,938	2,448
20	22	−138	−1,620	−1,104	−2,484	−3,864	−2,844	−1,824
30	15	−86	−700	−688	−1,548	−2,408	−2,548	−1,008
40	10	−35	650	−280	−630	−980	−1,330	240
50	5	16	2,000	128	288	448	608	1,488
52	4	26	2,260	208	468	728	988	1,728
Percentage difference from present system								
10	—	—	—	—	—	—	—	—
20	78.6%	−57.5%	−24.1%	−57.5%	−57.5%	−57.5%	−42.3%	−27.1%
30	42.9%	−35.8%	−8.3%	−35.8%	−35.8%	−35.8%	−30.3%	−12.0%
40	25.0%	−14.6%	6.8%	−14.6%	−14.6%	−14.6%	−14.6%	2.5%
50	11.1%	6.7%	18.5%	6.7%	6.7%	6.7%	6.7%	13.8%
52	8.7%	10.8%	20.5%	10.8%	10.8%	10.8%	10.8%	15.7%

Figure G.16

Effect of One-for-One Option on Individuals in St. John's

(Average insured earnings $400, local unemployment rate 14.5%, minimum weeks 10)

Weeks of insurable employment	Maximum weeks of benefit	Weekly benefit	Maximum total benefit	Actual benefits by actual weeks of unemployment (dollars)				
				10	20	30	40	50
Benefits available under present system								
10	42	240	10,080	1,920	4.320	6,720	9,120	10,080
20	50	240	12,000	1,920	4,320	6,720	9,120	11,520
30	50	240	12,000	1,920	4,320	6,720	9,120	11,520
40	50	240	12,000	1,920	4,320	6,720	9,120	11,520
50	50	240	12,000	1,920	4,320	6,720	9,120	11,520
52	50	240	12,000	1,920	4,320	6,720	9,120	11,520
Benefits available with One-for-One								
10	10	240	2,400	1,920	2,400	2,400	2,400	2,400
20	20	240	4,800	1,920	4,320	4,800	4,800	4,800
30	28	240	6,720	1,920	4,320	6,720	6,720	6,720
40	28	240	6,720	1,920	4,320	6,720	6,720	6,720
50	28	240	6,720	1,920	4,320	6,720	6,720	6,720
52	28	240	6,720	1,920	4,320	6,720	6,720	6,720
Difference from present system								
10	−32	0	−7,680	0	−1,920	−4,320	−6,720	−7,780
20	−30	0	−7,200	0	0	−1,920	−4,320	−6,720
30	−22	0	−5,280	0	0	0	−2,400	−4,800
40	−22	0	−5,280	0	0	0	−2,400	−4,800
50	−22	0	−5,280	0	0	0	−2,400	−4,800
52	−22	0	−5,280	0	0	0	−2,400	−4,800
Percentage difference from present system								
10	−72.2%	0	−76.2%	0.0%	−44.4%	−64.3%	−73.7%	−76.2%
20	−60.0%	0	−60.0%	0.0%	0.0%	−28.6%	−47.4%	−58.3%
30	−44.0%	0	−44.0%	0.0%	0.0%	0.0%	−26.3%	−41.7%
40	−44.0%	0	−44.0%	0.0%	0.0%	0.0%	−26.3%	−41.7%
50	−44.0%	0	−44.0%	0.0%	0.0%	0.0%	−26.3%	−41.7%
52	−44.0%	0	−44.0%	0.0%	0.0%	0.0%	−26.3%	−41.7%

Figure G.17

Effect of One-for-One Option on Individuals in Winnipeg

(Average insured earnings $400, local unemployment rate 8.6%, minimum weeks 11)

Weeks of insurable employment	Maximum weeks of benefit	Weekly benefit	Maximum total benefit	Actual benefits by actual weeks of unemployment (dollars)				
				10	20	30	40	50
Benefits available under present system								
10	0	240	0	0	0	0	0	0
20	38	240	9,120	1,920	4,320	6,720	9,120	9,120
30	45	240	10,800	1,920	4,320	6,720	9,120	10,800
40	50	240	12,000	1,920	4,320	6,720	9,120	11,520
50	50	240	12,000	1,920	4,320	6,720	9,120	11,520
52	50	240	12,000	1,920	4,320	6,720	9,120	11,520
Benefits available with One-for-One								
10	10	240	2,400	1,920	2,400	2,400	2,400	2,400
20	20	240	4,800	1,920	4,320	4,800	4,800	4,800
30	28	240	6,720	1,920	4,320	6,720	6,720	6,720
40	28	240	6,720	1,920	4,320	6,720	6,720	6,720
50	28	240	6,720	1,920	4,320	6,720	6,720	6,720
52	28	240	6,720	1,920	4,320	6,720	6,720	6,720
Difference from present system								
10	10	0	2,400	1,920	2,400	2,400	2,400	2,400
20	−18	0	−4,320	0	0	−1,920	−4,320	−4,320
30	−17	0	−4,080	0	0	0	−2,400	−4,080
40	−22	0	−5,280	0	0	0	−2,400	−4,800
50	−22	0	−5,280	0	0	0	−2,400	−4,800
52	−22	0	−5,280	0	0	0	−2,400	−4,800
Percentage difference from present system								
10	—	—	—	—	—	—	—	—
20	−47.4%	0	−47.4%	0.0%	0.0%	−28.6%	−47.4%	−47.4%
30	−37.8%	0	−37.8%	0.0%	0.0%	0.0%	−26.3%	−37.8%
40	−44.0%	0	−44.0%	0.0%	0.0%	0.0%	−26.3%	−41.7%
50	−44.0%	0	−44.0%	0.0%	0.0%	0.0%	−26.3%	−41.7%
52	−44.0%	0	−44.0%	0.0%	0.0%	0.0%	−26.3%	−41.7%

Figure G.18

Effect of One-for-One Option on Individuals in Toronto

(Average insured earnings $400, local unemployment rate 5.8%, minimum weeks 14)

Weeks of insurable employment	Maximum weeks of benefit	Weekly benefit	Maximum total benefit	Actual benefits by actual weeks of unemployment (dollars)				
				10	20	30	40	50
Benefits available under present system								
10	0	240	0	0	0	0	0	0
20	28	240	6,720	1,920	4,320	6,720	6,720	6,720
30	35	240	8,400	1,920	4,320	6,720	8,400	8,400
40	40	240	9,600	1,920	4,320	6,720	9,120	9,600
50	45	240	10,800	1,920	4,320	6,720	9,120	10,800
52	46	240	11,040	1,920	4,320	6,720	9,120	11,040
Benefits available with One-for-One								
10	10	240	2,400	1,920	2,400	2,400	2,400	2,400
20	20	240	4,800	1,920	4,320	4,800	4,800	4,800
30	28	240	6,720	1,920	4,320	6,720	6,720	6,720
40	28	240	6,720	1,920	4,320	6,720	6,720	6,720
50	28	240	6,720	1,920	4,320	6,720	6,720	6,720
52	28	240	6,720	1,920	4,320	6,720	6,720	6,720
Difference from present system								
10	10	0	2,400	1,920	2,400	2,400	2,400	2,400
20	− 8	0	− 1,920	0	0	− 1,920	− 1,920	− 1,920
30	− 7	0	− 1,680	0	0	0	− 1,680	− 1,680
40	− 12	0	− 2,880	0	0	0	− 2,400	− 2,880
50	− 17	0	− 4,080	0	0	0	− 2,400	− 4,080
52	− 18	0	− 4,320	0	0	0	− 2,400	− 4,320
Percentage difference from present system								
10	—	—	—	—	—	—	—	—
20	− 28.6%	0	− 28.6%	0.0%	0.0%	− 28.6%	− 28.6%	− 28.6%
30	− 20.0%	0	− 20.0%	0.0%	0.0%	0.0%	− 20.0%	− 20.0%
40	− 30.0%	0	− 30.0%	0.0%	0.0%	0.0%	− 26.3%	− 30.0%
50	− 37.8%	0	− 37.8%	0.0%	0.0%	0.0%	− 26.3%	− 37.8%
52	− 39.1%	0	− 39.1%	0.0%	0.0%	0.0%	− 26.3%	− 39.1%

Figure G.19

Effect of Macdonald Royal Commission Proposal on Individuals in St. John's

(Average insured earnings $400, local unemployment rate 14.5%, minimum weeks 10)

Weeks of insurable employment	Maximum weeks of benefit	Weekly benefit	Maximum total benefit	Actual benefits by actual weeks of unemployment (dollars)				
				10	20	30	40	50
Benefits available under present system								
10	42	240	10,800	1,920	4,320	6,720	9,120	10,080
20	50	240	12,000	1,920	4,320	6,720	9,120	11,520
30	50	240	12,000	1,920	4,320	6,720	9,120	11,520
40	50	240	12,000	1,920	4,320	6,720	9,120	11,520
50	50	240	12,000	1,920	4,320	6,720	9,120	11,520
52	50	240	12,000	1,920	4,320	6,720	9,120	11,520
Benefits available with Macdonald Royal Commission proposal								
10	0	200	0	0	0	0	0	0
20	0	200	0	0	0	0	0	0
30	15	200	3,000	1,600	3,000	3,000	3,000	3,000
40	20	200	4,000	1,600	3,600	4,000	4,000	4,000
50	25	200	5,000	1,600	3,600	5,000	5,000	5,000
52	26	200	5,200	1,600	3,600	5,200	5,200	5,200
Difference from present system								
10	−42	−40	−10,080	−1,920	−4,320	−6,720	−9,120	−10,080
20	−50	−40	−12,000	−1,920	−4,320	−6,720	−9,120	−11,520
30	−35	−40	−9,000	−320	−1,320	−3,720	−6,120	−8,520
40	−30	−40	−8,000	−320	−720	−2,720	−5,120	−7,520
50	−25	−40	−7,000	−320	−720	−1,720	−4,120	−6,520
52	−24	−40	−6,800	−320	−720	−1,520	−3,920	−6,320
Percentage difference from present system								
10	−100.0%	−16.7%	−100.0%	−100.0%	−100.0%	−100.0%	−100.0%	−100.0%
20	−100.0%	−16.7%	−100.0%	−100.0%	−100.0%	−100.0%	−100.0%	−100.0%
30	−70.0%	−16.7%	−75.0%	−16.7%	−30.6%	−55.4%	−67.1%	−74.0%
40	−60.0%	−16.7%	−66.7%	−16.7%	−16.7%	−40.5%	−56.1%	−65.3%
50	−50.0%	−16.7%	−58.3%	−16.7%	−16.7%	−25.6%	−45.2%	−56.6%
52	−48.0%	−16.7%	−56.7%	−16.7%	−16.7%	−22.6%	−43.0%	−54.9%

Figure G.20

Effect of Macdonald Royal Commission Proposal on Individuals in Winnipeg

(Average insured earnings $400, local unemployment rate 8.6%, minimum weeks 11)

Weeks of insurable employment	Maximum weeks of benefit	Weekly benefit	Maximum total benefit	Actual benefits by actual weeks of unemployment (dollars)				
				10	20	30	40	50
Benefits available under present system								
10	0	240	0	0	0	0	0	0
20	38	240	9,120	1,920	4,320	6,720	9,120	9,120
30	45	240	10,800	1,920	4,320	6,720	9,120	10,800
40	50	240	12,000	1,920	4,320	6,720	9,120	11,520
50	50	240	12,000	1,920	4,320	6,720	9,120	11,520
52	50	240	12,000	1,920	4,320	6,720	9,120	11,520
Benefits available with Macdonald Royal Commission proposal								
10	0	200	0	0	0	0	0	0
20	0	200	0	0	0	0	0	0
30	15	200	3,000	1,600	3,000	3,000	3,000	3,000
40	20	200	4,000	1,600	3,600	4,000	4,000	4,000
50	25	200	5,000	1,600	3,600	5,000	5,000	5,000
52	26	200	5,200	1,600	3,600	5,200	5,200	5,200
Difference from present system								
10	0	−40	0	0	0	0	0	0
20	−38	−40	−9,120	−1,920	−4,320	−6,720	−9,120	−9,120
30	−30	−40	−7,800	−320	−1,320	−3,720	−6,120	−7,800
40	−30	−40	−8,000	−320	−720	−2,720	−5,120	−7,520
50	−25	−40	−7,000	−320	−720	−1,720	−4,120	−6,520
52	−24	−40	−6,800	−320	−720	−1,520	−3,920	−6,320
Percentage difference from present system								
10	—	—	—	—	—	—	—	—
20	−100.0%	−16.7%	−100.0%	−100.0%	−100.0%	−100.0%	−100.0%	−100.0%
30	−66.7%	−16.7%	−72.2%	−16.7%	−30.6%	−55.4%	−67.1%	−72.2%
40	−60.0%	−16.7%	−66.7%	−16.7%	−16.7%	−40.5%	−56.1%	−65.3%
50	−50.0%	−16.7%	−58.3%	−16.7%	−16.7%	−25.6%	−45.2%	−56.6%
52	−48.0%	−16.7%	−56.7%	−16.7%	−16.7%	−22.6%	−43.0%	−54.9%

Figure G.21

Effect of Macdonald Royal Commission Proposal on Individuals in Toronto

(Average insured earnings $400, local unemployment rate 5.8%, minimum weeks 14)

Weeks of insurable employment	Maximum weeks of benefit	Weekly benefit	Maximum total benefit	Actual benefits by actual weeks of unemployment (dollars)				
				10	20	30	40	50
Benefits available under present system								
10	0	240	0	0	0	0	0	0
20	28	240	6,720	1,920	4,320	6,720	6,720	6,720
30	35	240	8,400	1,920	4,320	6,720	8,400	8,400
40	40	240	9,600	1,920	4,320	6,720	9,120	9,600
50	45	240	10,800	1,920	4,320	6,720	9,120	10,800
52	46	240	11,040	1,920	4,320	6,720	9,120	11,040
Benefits available with Macdonald Royal Commission proposal								
10	0	200	0	0	0	0	0	0
20	0	200	0	0	0	0	0	0
30	15	200	3,000	1,600	3,000	3,000	3,000	3,000
40	20	200	4,000	1,600	3,600	4,000	4,000	4,000
50	25	200	5,000	1,600	3,600	5,000	5,000	5,000
52	26	200	5,200	1,600	3,600	5,200	5,200	5,200
Difference from present system								
10	0	−40	0	0	0	0	0	0
20	−28	−40	−6,720	−1,920	−4,320	−6,720	−6,720	−6,720
30	−20	−40	−5,400	−320	−1,320	−3,720	−5,400	−5,400
40	−20	−40	−5,600	−320	−720	−2,720	−5,120	−5,600
50	−20	−40	−5,800	−320	−720	−1,720	−4,120	−5,800
52	−20	−40	−5,840	−320	−720	−1,520	−3,920	−5,840
Percentage difference from present system								
10	—	—	—	—	—	—	—	—
20	−100.0%	−16.7%	−100.0%	−100.0%	−100.0%	−100.0%	−100.0%	−100.0%
30	−57.1%	−16.7%	−64.3%	−16.7%	−30.6%	−55.4%	−64.3%	−64.3%
40	−50.0%	−16.7%	−58.3%	−16.7%	−16.7%	−40.5%	−56.1%	−58.3%
50	−44.4%	−16.7%	−53.7%	−16.7%	−16.7%	−25.6%	−45.2%	−53.7%
52	−43.5%	−16.7%	−52.9%	−16.7%	−16.7%	−22.6%	−43.0%	−52.9%

Figure G.22

Effect of Enriched Current Program on Individuals in St. John's

(Average insured earnings $400, local unemployment rate 14.5%, minimum weeks 10)

Weeks of insurable employment	Maximum weeks of benefit	Weekly benefit	Maximum total benefit	Actual benefits by actual weeks of unemployment (dollars)							
				10	20	30	40	50	60	70	72
Benefits available under present system											
10	42	240	10,080	1,920	4,320	6,720	9,120	10,080	10,080	10,080	10,080
20	50	240	12,000	1,920	4,320	6,720	9,120	11,520	12,000	12,000	12,000
30	50	240	12,000	1,920	4,320	6,720	9,120	11,520	12,000	12,000	12,000
40	50	240	12,000	1,920	4,320	6,720	9,120	11,520	12,000	12,000	12,000
50	50	240	12,000	1,920	4,320	6,720	9,120	11,520	12,000	12,000	12,000
52	50	240	12,000	1,920	4,320	6,720	9,120	11,520	12,000	12,000	12,000
Benefits available with Enriched Current Program											
10	42	266	11,172	2,394	5,054	7,714	10,374	11,172	11,172	11,172	11,172
20	52	266	13,832	2,394	5,054	7,714	10,374	13,034	13,832	13,832	13,832
30	62	266	16,492	2,394	5,054	7,714	10,374	13,034	15,694	16,492	16,492
40	71	266	18,886	2,394	5,054	7,714	10,374	13,034	15,694	18,354	18,886
50	71	266	18,886	2,394	5,054	7,714	10,374	13,034	15,694	18,354	18,886
52	71	266	18,886	2,394	5,054	7,714	10,374	13,034	15,694	18,354	18,886
Difference from present system											
10	0	26	1,092	474	734	994	1,254	1,092	1,092	1,092	1,092
20	2	26	1,832	474	734	994	1,254	1,514	1,832	1,832	1,832
30	12	26	4,492	474	734	994	1,254	1,514	3,694	4,492	4,492
40	21	26	6,886	474	734	994	1,254	1,514	3,694	6,354	6,886
50	21	26	6,886	474	734	994	1,254	1,514	3,694	6,354	6,886
52	21	26	6,886	474	734	994	1,254	1,514	3,694	6,354	6,886
Percentage difference from present system											
10	0.0%	10.8%	10.8%	24.7%	17.0%	14.8%	13.8%	10.8%	10.8%	10.8%	10.8%
20	4.0%	10.8%	15.3%	24.7%	17.0%	14.8%	13.8%	13.1%	15.3%	15.3%	15.3%
30	24.0%	10.8%	37.4%	24.7%	17.0%	14.8%	13.8%	13.1%	30.8%	37.4%	37.4%
40	42.0%	10.8%	57.4%	24.7%	17.0%	14.8%	13.8%	13.1%	30.8%	53.0%	57.4%
50	42.0%	10.8%	57.4%	24.7%	17.0%	14.8%	13.8%	13.1%	30.8%	53.0%	57.4%
52	42.0%	10.8%	57.4%	24.7%	17.0%	14.8%	13.8%	13.1%	30.8%	53.0%	57.4%

Figure G.23

Effect of Enriched Current Program on Individuals in Winnipeg

(Average insured earnings $400, local unemployment rate 8.6%, minimum weeks 11)

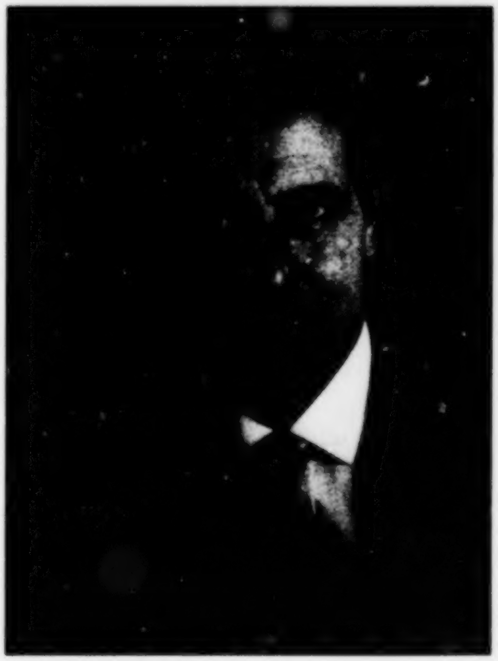
Weeks of insurable employment	Maximum weeks of benefit	Weekly benefit	Maximum total benefit	Actual benefits by actual weeks of unemployment (dollars)							
				10	20	30	40	50	60	70	72
Benefits available under present system											
10	0	240	0	0	0	0	0	0	0	0	0
20	38	240	9,120	1,920	4,320	6,720	9,120	9,120	9,120	9,120	9,120
30	45	240	10,800	1,920	4,320	6,720	9,120	10,800	10,800	10,800	10,800
40	50	240	12,000	1,920	4,320	6,720	9,120	11,520	12,000	12,000	12,000
50	50	240	12,000	1,920	4,320	6,720	9,120	11,520	12,000	12,000	12,000
52	50	240	12,000	1,920	4,320	6,720	9,120	11,520	12,000	12,000	12,000
Benefits available with Enriched Current Program											
10	28	266	7,448	2,394	5,054	7,448	7,448	7,448	7,448	7,448	7,448
20	38	266	10,108	2,394	5,054	7,714	10,108	10,108	10,108	10,108	10,108
30	48	266	12,768	2,394	5,054	7,714	10,374	12,768	12,768	12,768	12,768
40	57	266	15,162	2,394	5,054	7,714	10,374	13,034	15,162	15,162	15,162
50	57	266	15,162	2,394	5,054	7,714	10,374	13,034	15,162	15,162	15,162
52	57	266	15,162	2,394	5,054	7,714	10,374	13,034	15,162	15,162	15,162
Difference from present system											
10	28	26	7,448	2,394	5,054	7,448	7,448	7,448	7,448	7,448	7,448
20	0	26	988	474	734	994	988	988	988	988	988
30	3	26	1,968	474	734	994	1,254	1,968	1,968	1,968	1,968
40	7	26	3,162	474	734	994	1,254	1,514	3,162	3,162	3,162
50	7	26	3,162	474	734	994	1,254	1,514	3,162	3,162	3,162
52	7	26	3,162	474	734	994	1,254	1,514	3,162	3,162	3,162
Percentage difference from present system											
10	—	—	—	—	—	—	—	—	—	—	—
20	0.0%	10.8%	10.8%	24.7%	17.0%	14.8%	10.8%	10.8%	10.8%	10.8%	10.8%
30	6.7%	10.8%	18.2%	24.7%	17.0%	14.8%	13.8%	18.2%	18.2%	18.2%	18.2%
40	14.0%	10.8%	26.4%	24.7%	17.0%	14.8%	13.8%	13.1%	26.4%	26.4%	26.4%
50	14.0%	10.8%	26.4%	24.7%	17.0%	14.8%	13.8%	13.1%	26.4%	26.4%	26.4%
52	14.0%	10.8%	26.4%	24.7%	17.0%	14.8%	13.8%	13.1%	26.4%	26.4%	26.4%

Figure G.24

Effect of Enriched Current Program on Individuals in Toronto

(Average insured earnings $400, local unemployment rate 5.8%, minimum weeks 14)

Weeks of insurable employment	Maximum weeks of benefit	Weekly benefit	Maximum total benefit	Actual benefits by actual weeks of unemployment (dollars)							
				10	20	30	40	50	60	70	72
Benefits available under present system											
10	0	240	0	0	0	0	0	0	0	0	0
20	28	240	6,720	1,920	4,320	6,720	6,720	6,720	6,720	6,720	6,720
30	35	240	8,400	1,920	4,320	6,720	8,400	8,400	8,400	8,400	8,400
40	40	240	9,600	1,920	4,320	6,720	9,120	9,600	9,600	9,600	9,600
50	45	240	10,800	1,920	4,320	6,720	9,120	10,800	10,800	10,800	10,800
52	46	240	11,040	1,920	4,320	6,720	9,120	11,040	11,040	11,040	11,040
Benefits available with Enriched Current Program											
10	18	266	4,788	2,394	4,788	4,788	4,788	4,788	4,788	4,788	4,788
20	28	266	7,448	2,394	5,054	7,448	7,448	7,448	7,448	7,448	7,448
30	38	266	10,108	2,394	5,054	7,714	10,108	10,108	10,108	10,108	10,108
40	47	266	12,502	2,394	5,054	7,714	10,374	12,502	12,502	12,502	12,502
50	47	266	12,502	2,394	5,054	7,714	10,374	12,502	12,502	12,502	12,502
52	47	266	12,502	2,394	5,054	7,714	10,374	12,502	12,502	12,502	12,502
Difference from present system											
10	18	26	4,788	2,394	4,788	4,788	4,788	4,788	4,788	4,788	4,788
20	0	26	728	474	734	728	728	728	728	728	728
30	3	26	1,708	474	734	994	1,708	1,708	1,708	1,708	1,708
40	7	26	2,902	474	734	994	1,254	2,902	2,902	2,902	2,902
50	2	26	1,702	474	734	994	1,254	1,702	1,702	1,702	1,702
52	1	26	1,462	474	734	994	1,254	1,462	1,462	1,462	1,462
Percentage difference from present system											
10	—	—	—	—	—	—	—	—	—	—	—
20	0.0%	10.8%	10.8%	24.7%	17.0%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
30	8.6%	10.8%	20.3%	24.7%	17.0%	14.8%	20.3%	20.3%	20.3%	20.3%	20.3%
40	17.5%	10.8%	30.2%	24.7%	17.0%	14.8%	13.8%	30.2%	30.2%	30.2%	30.2%
50	4.4%	10.8%	15.8%	24.7%	17.0%	14.8%	13.8%	15.8%	15.8%	15.8%	15.8%
52	2.2%	10.8%	13.2%	24.7%	17.0%	14.8%	13.8%	13.2%	13.2%	13.2%	13.2%

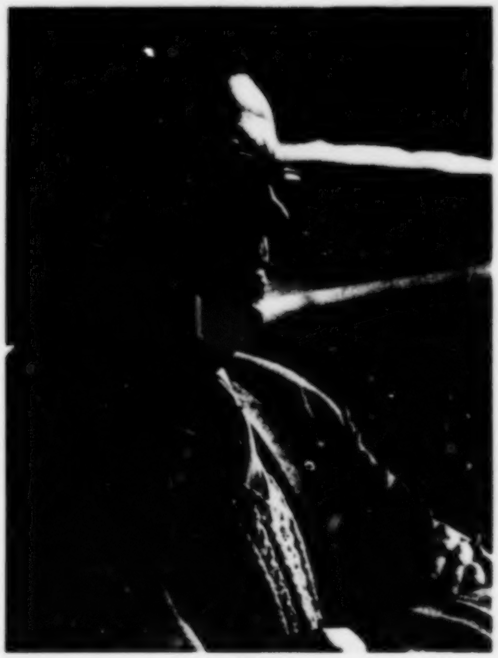


Claude E. Forget, Chairman

Claude Forget is an economic consultant, partner in the firm SECOR in Montréal, and vice-president of the C.D. Howe Institute. He has been professor of economics at l'Université de Montréal, McGill University, and l'Université du Québec à Montréal. He was a member of the Quebec National Assembly from 1973 to 1981 and served as Minister of Social Affairs for the first three of those years. Before that he was in the public service as Assistant Deputy Minister of Social Affairs in Quebec from 1971 to 1973, consultant to the Federal Commission on Taxation from 1963 to 1966, and consultant to the Quebec Commission of Inquiry on Health and Welfare from 1968 to 1970. Mr. Forget studied law at l'Université de Montréal, and economics at the London School of Economics and at Johns Hopkins University in Maryland. He is a member of the Quebec Bar.

Guylaine Saucier, Commissioner

Guylaine Saucier is the president and chief executive officer of Le Groupe Gérard Saucier Ltée., one of the largest forestry products firms in Quebec. Before becoming president she was company comptroller for four years and had responsibility for legal affairs and negotiations with public and private sectors. She serves on the boards of several academic, forestry industry and business organizations. Ms. Saucier is a chartered accountant and a graduate of le Collège Marguerite-Bourgeois and l'École des Hautes Études Commerciales, of the Université de Montréal.

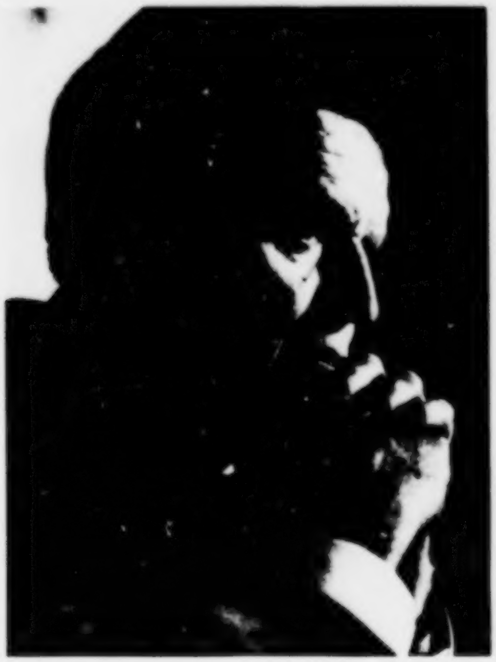


Moses O. Morgan, Commissioner

Moses Morgan is a distinguished Canadian scholar in the social sciences. He taught at King's Collegiate School and Dalhousie University, and was president of Memorial University of Newfoundland from 1973 to 1981. He has also served as president of the Association of Universities and Colleges of Canada and as council member of the Association of Commonwealth Universities. He was appointed a Commissioner to inquire into the closing of the mines in Labrador and a member of the Royal Commission on the *Ocean Ranger* Marine Disaster. Mr. Morgan is a graduate of Dalhousie and of Oxford University which he attended as a Rhodes Scholar, and has been awarded seven honorary degrees from universities in Nova Scotia, New Brunswick and Ontario. He is a Companion of the Order of Canada.

Jack Munro, Commissioner

Jack Munro has been president of Regional Council No. 1 of International Woodworkers of America since 1973, and is an associate officer of the IWA International Executive Board. He is also general vice-president of the Canadian Labour Congress and serves on the boards of the Asia Pacific Foundation, the Canadian Forestry Advisory Council, and the Vancouver Port Corporation. Mr. Munro began work as an apprentice machinist with the Canadian Pacific Railway in 1948. In 1959 he was laid off after 11 years with CPR and went to work as a welder at Kootenay Forest Products in Nelson, British Columbia. He was awarded an honorary doctorate by the University of British Columbia in 1985.



Roy F. Bennett, Commissioner

Roy Bennett is president of his own management consulting and investment firm, Bennecon Ltd. He formed the company after retiring from the Ford Motor Company of Canada Ltd. where he was president and chief executive officer from 1971 to 1981. He is a member of the Business Council on National Issues and sits on the boards of several public and private organizations. He has been an advisor to the Premier of Ontario and to the federal Minister of Industry, and has served as chairman of the Better Business Bureau of Canada and chairman of the Motor Vehicles Manufacturers Association. Mr. Bennett is a chartered accountant and a Fellow of the Institute of Chartered Accountants of Ontario.

Frances J. Soboda, Commissioner

Frances Soboda is a vice-president of the Canadian Labour Congress and a member of the CLC Pension Committee. She is president of Local 4253 of the United Steelworkers of America, vice-president of the Nova Scotia Federation of Labour, and co-chairperson of the NSFL's Human Rights Committee. She served on the advisory committee for the Economic Summit Conference in 1985 and was an employee representative on the Board of Referees of Unemployment Insurance for ten years. Ms. Soboda is particularly involved in labour education. She has taught courses and coordinated seminars and workshops for workers and unemployed persons, and co-hosted and co-produced an educational television program on microeconomic matters. Ms. Soboda is a graduate of the Labour College of Canada. She is among the workers recently laid off by Hawker Siddeley Canada Inc.'s Nova Scotia plant.

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Part V Supplementary Statements

Commissioners M.O. Morgan and C.E. Forget

A number of supplementary statements are appended to this report. It is generally recognized that any Commissioner has the right to make a critical analysis of any part of the report with which he or she disagrees and to write a dissenting opinion. Indeed, it appears to be rare for a Commission of Inquiry with more than three Commissioners not to have at least one dissenting opinion. These differences of opinion are healthy. In view of the nature of the subject matter and the membership of this Commission of Inquiry, it is not surprising that this study of Unemployment Insurance led to divergent opinions.

Two of the supplementary statements which follow are in keeping with the long-standing tradition of short dissenting opinions related to specific recommendations put forward in the various chapters of the report. The third "statement" signed by Commissioners Soboda and Munro is, however, without precedent. Under the guise of a dissenting opinion, it is in reality a comprehensive document written as if it were intended to stand on its own. Its unprecedented nature makes it necessary for us to take the unprecedented step of commenting on that document.

There is a recognized tradition that it is incumbent upon those who accept an appointment to a Commission of Inquiry under authority of the Governor in Council to be as objective as possible in arriving at their recommendations. As well, before accepting that appointment they should "be assured of their independence from undue influence and of their autonomy to carry out the inquiry."[1]

In the case of this Commission of Inquiry, six individual Canadians were invited to inquire into and to express their considered judgment regarding the reforms needed in order to adapt the Unemployment Insurance program for the future. All six Commissioners participated in public hearings and consultations between October 1985 and February 1986 and in Commission meetings held in March, April and May 1986 to consider the results of the research and briefs and to consider a variety of options. At a Commission meeting on May 23, 1986 we were informed by Commissioners Soboda and Munro that they had concluded that unanimous consent would not result from our deliberations and that, with the help of the research staff of the Canadian Labour Congress, they would be writing their own separate report.[2] The hope was nevertheless expressed that at the end of an extended period differences could be resolved and a unanimous report submitted. Although the Commissioners' term was extended to September 30, 1986, one of these Commissioners was absent from all subsequent meetings and did not participate further in any of the discussions that led to the adoption of the majority report.

During the period from May to September 1986, our report was prepared at the offices of the Commission of Inquiry and the "alternate report" at the Canadian Labour Congress. All the Commissioners had access to successive drafts of the report of the Commission of Inquiry, in particular to a version dated August 19, 1986 which was the basis of discussion in late August and which, with editorial and other minor changes, became the substantive report. All Commissioners also had the opportunity to influence those drafts, as well as access to all research reports, data and the expertise of the research staff. In contrast, the "alternate report" was prepared separately and delivered to our staff late on September 30, 1986. The other Commissioners had no opportunity to examine it or to seek acceptable solutions to differences of opinion.

The unprecedented course followed by Commissioners Soboda and Munro raises several important issues. There is the question of whether a person who cannot fulfil the obligation of objectivity and exercise personal judgment unencumbered by corporate commitments and responsibilities should have accepted an appointment as a Commissioner. There is also the question of the privileged position given to the Canadian Labour Congress over that of other interested parties, including other labour organizations, in having access to a document, privileged to the Crown, even before the Government. These two questions raise the broader issue of whether elected officers of any organization should be placed in the ambivalent position of participating in a Commission of Inquiry on a matter of particular interest and concern to their organization.

Another matter of serious consequence is that their supplementary statement contains significant misrepresentation and misinformation about the majority report. Five issues have been chosen as examples of this misrepresentation.

Regionally Extended and Fishing Benefits

Their report ignores the majority report's emphasis on income supplementation. Indeed one entire chapter of our report is devoted to the income security system in Canada. Their report protests the harsh consequences to individuals and regions as a result of the elimination of regionally extended benefits but fails to mention that we propose alternatives which we believe are better able to meet the needs of the poor. As we stated in the Introduction to Part II:

> It would be irresponsible to give serious consideration to removing regionally extended benefits, for example, without providing an income supplement to workers faced with economic hardship, and without providing development funds to regions and communities suffering from the impact of economic forces well beyond their control.

Or Recommendation 33 in Chapter 9:

> During this five-year period, the federal and the provincial governments involved in the fishing industry should develop and implement an income supplementation plan for all workers in relation to their need, with resources at least equivalent to those currently available for Unemployment Insurance benefits to self-employed fishermen.

Or the statement in Chapter 11:

> We recognize that these recommendations would of themselves have a serious impact upon particular regions of the country – especially Atlantic Canada. We therefore recommend that there be no loss of support to these regions and that the money saved from regionally extended and fishermen's benefits be used for programs that are better designed to provide the needed assistance.

Income Supplementation

They state that "on the eve of the production of the next-to-last draft of the report, a proposal for an income supplementation plan for the working poor was invented and put into the report. The idea had never even been discussed at the Commission. When it became clear that the dollar amounts being proposed were so low that the result would be embarrassing, the figures were removed, and the recommendation downgraded to a suggested direction for future action. It does not deserve to be taken seriously by anyone."

This statement is in error in several major respects. First, the idea of income supplementation was discussed by Commissioners as early as March and a minimum supplement was part of the program simulations in April 1986. Second, a specific proposal was not inserted into the final text precisely for the reason given:

> to define a specific supplementation plan would require making a large number of highly debatable assumptions about related changes in social programs and the tax system, about social and economic priorities, as well as about provincial viewpoints. It was therefore deemed more fruitful to concentrate instead on describing the essential characteristics that any viable and acceptable supplementation program should possess. This Commission of Inquiry favours the concept of an Earnings Supplementation Program.

As noted in Chapter 4, four provinces already have supplementation programs and they are of two very different types. Thus we had concluded:

> What may be needed is a group or series of supplementation plans, reached through federal-provincial agreements, to reflect the differing provincial concerns.

Finally, as noted above it is made abundantly clear that the recommended shift to Annualization should only be made when a supplementation program is in place. Income supplementation is, therefore, not simply a "suggested direction for future action" but rather an integral part of the reform proposal. It is certainly worthy of being taken seriously.

The Share Economy

A description of how the Share Economy became part of the report is used to characterize the majority report as "a home for crackpot ideas." Quite simply their report again is misleading. The Share Economy was the subject of a research paper undertaken explicitly for the Commission and distributed to all Commissioners in February.[5] It was also discussed by Commissioners in Vancouver in April, and again in August 1986. Certainly Commissioners who wished to pursue this issue further or to influence its inclusion in the draft chapters had ample opportunity to do so. Neither Commissioner Soboda nor Commissioner Munro raised this as a concern with staff or with other Commissioners.

Costs

In the description of their preferred program the Labour Commissioners describe the cost of increasing maximum benefit duration from 50 weeks to 71 weeks as "relatively small" (Chapter 4). Again, this is misleading. The reader who perseveres to the end of Chapter 5 will discover that the cost of this change alone would be $876 million. The cost of their entire package would be an additional $3 billion to be funded presumably from premiums.

Impact of the Changes on the Poor

The most serious misrepresentation of the position of the majority report is Commissioners Soboda and Munro's characterization of the impact of the proposed changes on the poor. In light of their accusation that the majority report is indifferent and callous, their own recommendations are difficult to reconcile with their professed concern for the poor. If they had access to an additional $3 billion, Commissioners Soboda and Munro would spend it to enrich Unemployment Insurance, a program which directs fully 78 percent of benefits to families with income above the poverty line. By contrast, our recommendations would not increase costs but would direct a greater proportion of existing funds to the poor in the form of Earnings Supplementation Programs, community economic development and other initiatives. These proposals not only provide more assistance but more effective assistance directly to the poor. The Labour representatives are so intent upon preserving the status quo in Unemployment Insurance that they ignore the inadequacies of the current approach and the possibility that alternatives exist outside of Unemployment Insurance which can better help those with low incomes.

The 250-page "supplementary statement" submitted in English late on September 30, 1986 was clearly not a straightforward dissenting opinion based on a critical analysis of the proposals contained in this Commission's report. It is a comprehensive text that argues and is designed from the point of view of a particular interest group to undermine the credibility of the majority report and the four Commissioners who support it. This document incorporates complete paragraphs of the brief submitted at the public hearings by the Canadian Labour Congress. It also quotes whole sections of our report agreeing with the majority of our recommendations. Yet it is submitted in the guise of a dissenting opinion. Such action surely goes beyond the right of an individual Commissioner to express dissenting views.

The submission of this "alternate report" posed an ethical dilemma for the Commission of Inquiry. There were questions about the propriety of including it in the report because of its unprecedented nature and its declared purpose. Yet to deny inclusion would lead to an accusation of censorship. To publish without comment, although comment on a supplementary statement is also without precedent, would imply acceptance. In the end it was decided to publish and to comment. The reflection upon the motives and integrity of those who support our report left us no alternative.

Notes

1 Canada, Privy Council Office, ***Commissions of Inquiry: A Handbook on Operations*** (Ottawa: Minister of Supply and Services Canada, 1983), p. 6.

2 Canada, Commission of Inquiry on Unemployment Insurance, Minutes of Meeting of Commission held in Ottawa, May 28, 1986, p. 5.

3 Martin L. Weitzman, "Profit Sharing as an Antidote for Canadian Unemployment," 1986 (unpublished).

Supplementary Statement

Commissioner Roy F. Bennett

While agreeing with the majority of recommendations in the report, I would urge alternative courses of action in five areas:

- Annualization concept;
- treatment of part-time workers;
- Cumulative Employment Account;
- treatment of pension income; and
- labour disputes.

The following comments provide additional perspectives and alternative suggestions in regard to these issues.

Annualization

The feasibility of the Annualization concept depends heavily on the adequacy of appropriate Income Supplementation plans which need to be developed. Without such plans, the Annualization concept could cause undue hardship to many individuals and impose a substantial strain on provincial welfare programs. Yet the development of appropriate Income Supplementation programs will be extremely difficult due to the variance of needs in different regions of the country and the necessity to collaborate with each of the provinces.

Until appropriate Income Supplementation plans can be designed and the overall effects assessed, I believe it would be inappropriate to commit to an Annualization concept.

While full commitment to Annualization should therefore be delayed, I believe that a first step in this direction can and should be undertaken. The first step, however, should be one that stands on its own merit and need not be reversed if suitable Income Supplementation plans are not developed.

In Phase One, I believe it would be more practical to continue with a modification of the present One-for-One approach but with the benefits calculated based on average earnings over the latest 13 weeks of employment (i.e., one week of benefits for each week of work up to some specified maximum number of weeks – presently 26 but it could possibly be 30 weeks).

Recognizing that, under this proposal, the 10-week worker would receive only 10 weeks of benefits (which would be equal to 60 percent of 10/13 of his weekly income) and the maximum benefits for a full-time worker would be significantly reduced from present levels, some temporary continuation of regionally extended benefits would be appropriate. I would suggest, however, that these benefits initially should be reduced by at least 10 percent, either by shortening the number of weeks for which benefits are paid or, preferably, by reducing the amount of benefits paid.

The foregoing approach would initiate the concept of Annualization and the phasing-out of regionally extended benefits. Further steps to remove regionally extended benefits could be taken in subsequent years, regardless of whether further moves toward the Annualization concept were adopted. The speed of these reductions would be influenced by general economic recovery and the success of the recommended job creation and retraining programs outlined in our report, as well as by the possible development of Income Supplementation programs.

Part-Time Workers

There are a number of part-time workers employed in jobs for less than 15 hours per week for whom Unemployment Insurance would be desirable and beneficial. As a result, both the Wallace Commission of Inquiry and the Boyer Committee recommended extending insurance coverage to those working in part-time jobs of more than eight hours per week. Regrettably, however, this recommendation was made, in both instances, without having an adequate assessment of the mix of individuals affected or of the specific implications of the recommendations.

I believe the following perspectives warrant further consideration before a decision is made to extend Unemployment Insurance to more part-time workers:

1 Based on Statistics Canada data for 1985, there are 466,000 part-time workers who work between 8 and 15 hours per week. Of this total, an estimated 40 percent are students for whom the payment of premiums would be a hardship, particularly as only a small number would likely have occasion to claim benefits. Of the remaining 280,000, a significant number are believed to be workers who neither need nor want Unemployment Insurance coverage (e.g., casual workers, retirees and workers with full-time jobs who also have part-time employment). I believe a more comprehensive analysis is required of those who work between 8 and 15 hours per week before a decision is made to extend coverage to everyone in this group. The proposed extension to all those working 8 hours or more should only be made if the majority of those added to the program are believed to want Unemployment Insurance coverage.

2 The increased costs and administrative problems would be significant, particularly for small businesses which hire part-time help for one or two days a week. If coverage applied to all those employees working eight hours or more, premiums would be deductible from earnings of as little as $32 per week and would often be the only payroll deduction to be withheld and reported (Canada Pension Plan deductions start at $48.08 per week, while income tax deductions start at $92 per week).

3 The concern regarding multiple job holders is not a significant factor as only an estimated 2 percent of part-time workers have more than one part-time job.

4 In addition to the normal administrative workload, it would be a problem for the Canada Employment and Immigration Commission to monitor job search requirements of individuals who only want work for one or two days per week.

In view of the foregoing comments, more analysis is needed before a decision is made to extend coverage to part-time workers.

Cumulative Employment Account

The concept of providing additional benefits for older workers is desirable in recognition of the increasing problems resulting from such events as plant shutdowns and closure of mines. Some additional study should be made, however, to determine whether this assistance can best be given through the Unemployment Insurance Program or through some modification of special assistance programs such as the Labour Adjustment Benefits program.

Assuming Unemployment Insurance is the preferred delivery program, I am concerned that the proposed Cumulative Employment Account introduces a number of inadequacies, inequities and administrative complexities.

1 Assistance might not be available at a time of need for those older workers who have been working for 30 years but have not met the minimum qualifying requirements due, for example, to: (a) working a few years abroad; (b) having an average of less than 42 weeks of work per year (e.g., construction workers); or (c) having had a period of self-employment.

2 There is serious discrimination between those who just meet the minimum qualifications and those who just fall short of them.

3 The additional administrative workload for businesses, which will need to report weeks of work for all employees, and for government, which will need to keep track of accumulated benefits for everyone in the labour force, could be substantial.

In view of the foregoing concerns, I would prefer to base entitlements simply on age, together with a minimum qualifying period in the labour force (e.g., 10 or possibly 20 years with no specific reference to number of weeks worked). An individual could be entitled to a specified number of weeks' benefits for each year beyond the age of 45. For example, an entitlement of an additional five weeks of benefits could be accumulated for every year after the age of 45 up to a maximum of an additional 50 weeks (which would be reached at the age of 55). The additional entitlement would be restricted to the same usage outlined in our report, with the exception that such benefits should not be used to "top up" Unemployment Insurance benefits beyond the normal maximum level. The increased benefits should be used only to extend coverage for those older workers who made an approved relocation or took an approved training program that enhances their chances of finding new employment. "Topping up" is rejected because it could become a serious disincentive to taking jobs that were available.

The viability of this counter-proposal will, of course, hinge on its acceptability under the Canadian Charter of Rights and Freedoms. There appears, however, to be considerable precedent for extending additional benefits to older persons.

Pension Income

Recognizing that the initial intent to treat pensions as earnings for purposes of determining Unemployment Insurance eligibility was announced in early 1985, I see no reason to wait until January 5, 1989 to implement our slight modifications to the original proposals. It should be acknowledged that the changes made January 5, 1986 imposed considerable hardship primarily because details of the changes and regulations were not available until a short time prior to the implementation date. As a principle, I believe changes which have significant impact on many individuals should normally become effective one year after the regulations are published. This timing is recommended for implementation of our proposal covering treatment of pensions.

Labour Disputes

1 In determining the date when a labour dispute is deemed to finish for purposes of Unemployment Insurance, it is important to recognize that all employees are not necessarily scheduled to return to work at the same time. In many instances, workers at different locations are recalled at different times, while workers in separate departments at the same location may be recalled on a progressive basis. I therefore recommend that a worker should no longer be considered involved in a labour dispute after: (a) a collective agreement has been signed; and (b) the unit or department in which the worker was employed at the time the strike commenced either resumes work or ceases to exist.

2 In the case of a worker who is not directly involved in a strike but who is laid off as a result thereof, Unemployment Insurance benefits should be paid provided that: (a) the claimant is not employed by the same employer as those who are on strike; or (b) the claimant does not contribute to the same strike fund.

3 In a situation where a worker is disentitled because of a labour dispute, then takes another job and is laid off, that worker should be eligible for Unemployment Insurance on the basis of the second job *only in those instances where* either: (a) the strike is over at the time of layoff from the second job, or (b) the striking worker has held the second job for at least 10 weeks.

Supplementary Statement

Commissioner Guylaine Saucier

The present rule for determining when a labour dispute is over with respect to Unemployment Insurance – namely, when 85 percent of those who were at work when the dispute began are back at work – should be retained. It is true that this may be long after the date of the collective agreement or the date stipulated in a subsidiary agreement for a return to work, but it must be recognized that a labour dispute may not only delay a resumption of activity but also cause a firm to lose its market share for an indefinite period. In such circumstances, those employees who are not called back are no longer on strike and would gladly return to work if they could.

Given the type of enterprise against which they struck, however, such an eventuality is neither unpredictable nor entirely involuntary. The decision to go on strike does not only have immediate consequences. In the longer term, it can affect, if not the survival of the enterprise, at least its future ability to maintain employment for all those who shared in the decision to go on strike. In order to apply the principle of the neutrality of Unemployment Insurance with regard to labour relations, I believe that the continuation of the present rule is the appropriate course to follow.

I agree with Commissioner Bennett's supplementary statement with regard to the case of a worker who is not directly involved in a strike but who is laid off as a result.

Supplementary Statement

Commissioners F. J. Soboda and J. J. Munro

Executive Summary

The majority report of the Forget Commission, if implemented, would slash unemployment insurance benefits for most jobless Canadians. Cuts would average about 30%, but would range up to a horrendous 50% in the "have-not" provinces where unemployment levels are highest.

Cuts of this magnitude would force many more thousands of the unemployed onto welfare. Canada's poverty rate would skyrocket.

In the process, our UI program would be transformed into a grudging pittance, less than $100 a week for roughly half of all claimants. It would lose the main elements that make it an insurance plan designed to replace earnings in the event of unemployment. It would be converted into a form of social assistance that would do little to alleviate the plight of the jobless.

Seasonal, short-term and part-time workers – those most in need of protection – would be the hardest hit, and the structural changes in the economy are creating new members of these groups, many of whom are collecting benefits for the first time in their lives, but benefits would be reduced to some degree for 78% of all UI claimants. Only for those workers least in danger of losing their jobs would adequate coverage be maintained.

Disastrous Consequences

These stark consequences of the Forget proposals are not easily discernible. It takes a careful reading of the majority report to strip away all the progressive-sounding verbiage and expose its harshly regressive intent.

An example is the proposal to "annualize" benefits, which involves increasing the benefit rate from 60% to 66⅔%. That looks fine on the surface and may impress people who don't calculate the punitive effects of the Commission's follow-up recommendation. This formula would prorate (reduce) benefits according to the number of weeks a claimant was unemployed in the previous year.

Someone who had worked only 26 weeks, for instance, would have benefits cut by 50%. Someone laid off for 40 weeks would suffer a 75% reduction.

The actual benefit rate, under annualization, would be less than 50% of insurable earnings for half the unemployed, less than 40% for one-third of them, and less than 25% for 1 claimant in 12. Not content with the severity of these overall cuts, the Forget report would further penalize workers by eliminating regionally extended benefits – benefit entitlements tied to local labour market conditions.

Misleading and Deceptive

It is indicative of the misleading and spurious nature of the report as a whole that such a draconian cut in benefits is actually represented as an increase!

Similarly deceptive excuses are advanced to try to justify other reactionary proposals, such as eliminating extended coverage in regions of high unemployment, phasing out benefits for fishermen and other seasonal workers, and making pensions, severance pay and vacation pay count as earnings for UI purposes.

The combined effect of these changes would virtually destroy our UI program as it now exists. The program has already been seriously eroded over the past 10 years, and the Forget Commission would deliver the *coup de grâce*.

A Report Based on Myths

Its report embraces – and perpetuates – all the myths about unemployment insurance that foes of the program have fostered since its inception – myths about alleged abuses of UI by short-term and seasonal workers, by women, by cheaters and parasites.

Nowhere in the majority report is there an awareness that the sharp rise in unemployment in recent years is attributed to a stagnant and unstable economy. Nor do the majority commissioners seem to realize that thousands of the jobless – even many now in seasonal and short-term occupations – are people who have become unemployed for the first time, through no fault of their own.

Instead, Forget and the commissioners who support his recommendations are convinced that it is the fault of the unemployed themselves that they are without jobs. This "blame-the-victim" approach permeates their whole report. It is an obsession that is not based on any hard evidence or data. On the contrary, all the available statistics refute the majority commissioners' retrogressive views.

For example, Forget cites the "10-week worker" – someone who works just long enough to qualify for UI – as a major problem. In fact, such short-term workers comprise only 3% of UI recipients, and there is no proof that significant numbers of them are quitting rather than being laid off.

Of more than 3 million claimants each year, fewer than 200 are found guilty of fraud – hardly grounds to justify a crackdown on UI abusers.

Submissions Ignored

It seems clear that Forget and the commissioners who signed the majority report were influenced more by their own preconceptions than by the 475 briefs they received during the public hearings they held across this country. The overwhelming message from those submissions was that Canadians are generally satisfied with the basic structure of the UI program.

They disagreed on such issues as the length of the qualifying period, the benefit rate, and the formula linking work to the duration of entitlement. But, except for a small extremist minority, they wanted to preserve ***the basic structure*** of UI as a work-and-earnings-related social insurance plan.

The majority report, however, completely ignores the wishes of the great majority of labour, community and business groups that took part in the public hearings.

The result is a report that recommends harsh and devastating cuts in UI benefits that favour myths over the realities, the intolerance of a fanatical few over the wishes of most Canadians.

A Progressive Minority Report

We – the two labour representatives on the Commission – were left with no alternative but to issue our own report.

Our report not only rebuts the majority report, but also advances many constructive proposals for improving the UI program, as well as defending it.

It is our firm belief that the program is basically sound and needs only to be improved and strengthened to allow it to serve its purpose in a less complicated and more equitable fashion.

Our points of departure from the other Commission members are fundamental:

1 We do not believe that cuts in the program are warranted.

2 We cannot support massive cuts in benefits for those workers who are most in need of the economic security that UI provides – those who are unable to maintain full-time full-year employment.

3 We believe that the proposal to eliminate regionally extended benefits is an economic disaster in the making for Canada's weakest local economies.

4 We believe it is a serious mistake to sever the link between UI funding and benefits and the rate of unemployment.

The UI program has already sustained a series of cutbacks and restrictions over the past decade. The cutters and retrenchers have had their day. It is time now to refocus the program on its basic purposes and on the needs of the people it is supposed to serve.

Proposals for Improving UI

Our major recommendations are:

- that the link between the duration of benefits and the local unemployment rates be maintained (regionally extended benefits);
- that the minimum entrance requirement of 10 weeks be extended to all classes of claimants, including those for sickness, maternity, and parental benefits;
- that the maximum benefit period be increased from 50 to 71 weeks;
- that the two-week waiting period remain for regular benefits, and be reduced to one week for sickness benefits, and eliminated entirely for maternity and parental benefits;
- that benefits be guaranteed to be paid within one week of application;
- that the level of insurable earnings be established yearly at 125% of the eight-year moving average earnings;
- that the benefit rate be increased to 66⅔%;
- that all pension income, severance and vacation pay be excluded from the definition of earnings for UI purposes;
- that the present exclusion from coverage of persons over age 65 be eliminated;
- that the maternity benefit period be 17 weeks, with the 2-week waiting period being eliminated, and parental and adoption periods be 24 weeks;
- that part-time workers be eligible for UI if they have a minimum of six hours per week of regular employment;
- that the denial of benefits to workers involved in a strike be confined to workers actively on strike, and not extended to others who refuse to cross their picket lines;
- that employees who were locked out by an employer be eligible for benefits;
- that the UI regulations, procedures and administration be simplified to enable claimants to file applications and obtain their rightful benefits more easily and quickly;
- that if the above recommendations are adopted, we maintain the tripartite financing, with equalization of premiums between employers and employees.

Choosing Between Them

The distinction between the majority and minority reports of the Forget Commission is clear.

The majority report proposes massive cuts in benefits and blames the jobless for their own misfortune.

The minority report proposes to improve benefits and make the UI program more responsive to the needs of the unemployed.

The federal government must now decide how to deal with these two divergent sets of recommendations. It is up to Canadian workers, their unions, social agencies, church groups and other defenders of unemployment insurance to put pressure on the government to make the right decision.

Chapter 1: Introduction

A Flawed Process and a Flawed Conclusion

After many months of hearings and countless hours of discussion of the issues with the public and interested groups, four of the six Commission members have produced a report whose recommendations would result in dramatic cuts in UI benefits for those whose risk of unemployment is the greatest. Three of the six have gone further and endorsed an ill-conceived scheme that would destroy the foundation of UI for all but the most securely employed.

In doing so, the report has betrayed the trust that Canadians placed in the Commission when they appeared at our hearings.

The central recommendations of the report bear no relation to what *anyone* said at the hearings. The strongest consensus of the hearings – shared on all sides – was that the program should be simplified. The report's recommendations for benefit annualization would make program administration even more complicated.

Virtually every presentation at the hearings accepted the basic role of UI as the hub of Canada's social insurance system and endorsed the basic structure of the program in fulfilling that role. Yet the proposal for annualized benefits would render benefits inadequate for the majority of the unemployed and force a substantial proportion of claimants onto welfare.

The report claims to be taking an innovative approach. In fact, the main proposals recycle ideas that were put to the Canada Employment and Immigration Commission (CEIC) in a secretly commissioned study more than two years ago.

The report as it stands is extremely misleading. It is full of progressive-sounding phrases about being responsive to the needs of the unemployed. Yet it proposes massive cuts in benefits for the majority of claimants. It quotes extensively from presentations made to the Commission. Yet it ignores basic messages about UI and its role in Canadian life that were repeated over and over again in the public hearings.

It contains table after table of numbers which it claims support its recommendations. But it makes assertion after assertion that not only is not supported by any facts presented in the report but cannot be supported by any facts, in the report or elsewhere. Sweeping statements are made to justify policy proposals, statements which are demonstrably not true. It is shameless in its use of misleading and invalid generalizations.

In fact, the proposals put forward in the report flow from basic myths about UI claimants that can very easily be dismissed either as unfounded or wildly exaggerated.

We do not disagree with every detail of the Forget report, however. A careful examination of our report and the Forget report will reveal a number of concerns and recommendations in common. Our approach to administrative issues, for example, differs largely in emphasis rather than in substance from that of the Forget report.

We also agree on several of the proposals for ancillary programs to deal with training and adjustment issues and youth unemployment.

In the end, however, we found the report's central proposal to be so offensive, and so fundamentally out of step with Canada's needs that we felt we had no alternative but to present a separate report.

The Report and the Hearings

As commissioners, we were proud of the first stage of the Commission's work. We held a total of 62 days of public consultations: formal public hearings, informal public meetings, round-table discussions on specific issues or community problems, and private meetings.

We visited 46 communities, ranging from villages such as Rae-Edzo, in the Northwest Territories, to large metropolitan centres.

Nearly 500 briefs were presented at public hearings: 29% from labour, 19% from advocacy groups; 19% from individuals; 17% from business interests; and 16% from other groups – governments, social planning organizations, politicians and other non-profit groups.

In addition, the Commission received 1,500 written briefs or letters containing substantive comments about UI issues from hundreds of other groups and individuals: 4% from labour; 5% from non-profit groups; 73% from individuals; 9% from business interests; and 9% from other groups.

The consultation process produced, in just six months, a significant response from the public. The size of the response underlines the importance which Canadians attach to the unemployment insurance program and reflects, in part, the fact that this study of UI has been the first such review that has ever sought the views of the public.

The significance of the public response to the work of the Commission makes the fact that the Forget report ignores the views of all but an extremist minority all the more reprehensible.

We have described the report as a betrayal of the hearing process. With respect both to overall direction and to detail, the report summarily rejects the views about the UI program expressed by Canadians.

Community, voluntary non-profit and worker groups were given extremely short shrift. But even where business, labour and community groups were generally agreed, the report turns a deaf ear, most particularly in the complexity of its central recommendations.

There was a great deal of debate – often heated – at the hearings. That in itself was not surprising. One would hardly have expected anything else from a rare opportunity to discuss a program of the scope and impact of UI.

What was noteworthy about the debate, however, was the breadth of agreement on the basic structure of the program. The overall message from the hearings was clear. The basic structure of unemployment insurance as a social insurance scheme related to work and earnings is accepted by Canadians right across the political spectrum.

We would like to stress this point. The basic structure of UI – a benefit entitlement for which a claimant must qualify through employment; a benefit duration linked to individual employment and overall rates of unemployment; and a benefit rate established as a fixed proportion of insurable earnings – was accepted by the overwhelming majority of participants.

Much of the debate concerned such issues as the length of the qualifying period, the benefit rate, and the formula linking work to the duration of the individual's benefit entitlement within the structure of the current program.

There was absolutely no mandate from the hearings for fundamental change in the way the program works.

And although there was also a great deal of debate in the hearings over such aspects of UI as maternity and sickness, fishing and regionally extended benefits, much of even that debate was not over whether or not these aspects of the program should exist but rather over who should fund and administer them.

The most difficult conclusion to which any Commission of Inquiry can come is that the object of their study is fundamentally sound and does not require basic change. The natural imperative in any study is to come up with a radically different program that changes the world, and in the process justifies the existence of the Commission.

As difficult as it may be to do so, we believe the Commission should have resisted the temptation to recommend change for its own sake.

In light of this widespread acceptance of the program's basic design, the work of the Commission should have been directed towards finding common ground and compromise among the major constituencies concerned about the nature and role of unemployment insurance in Canada. No serious attempt was made to reach consensus on any fundamental issue.

This flawed process flows from two dominant preconceptions: that notwithstanding what anyone had to say at the hearings, massive change is required; and that it is impossible to reach consensus between business and labour on changes to the program.

At the Ottawa hearings, the Chairman stated his view clearly, in a discussion with the CEIC Advisory Council during their presentation to the Commission of Inquiry.

> After listening for three months to trade union groups and employer groups who can hardly, in any case, even spend the time to listen to each other, I'm really puzzled as to whether something like that [joint labour management-government administration of UI] could work. It doesn't seem to be part of the Canadian culture to have any sense of compromise among these groups, when it comes to important matters. (Hearings Transcript, February 14, 1986, p. 6945)

In fact, such compromises are made every day. It is called collective bargaining.

The assumption that no compromise was possible was tantamount to giving up on the real job of the Inquiry when it had barely started.

The Commission of Inquiry on Unemployment Insurance in Context

One of the fundamental mistakes which we believe the Forget report makes is in looking at UI reform in 1985 and 1986 as if nothing had happened since the program was modernized in 1971. In fact, the program has been amended and reviewed more often than any other federal program, with the possible exception of income taxes.

In 1976, disqualification periods for voluntary quits were increased, benefit rates reduced and the formula for government funding of UI weakened.

In 1977, entrance requirements were increased from 8 weeks to a variable 10–14 weeks and the maximum duration of benefits was reduced to 50 weeks. On the funding side, UI funds were diverted to "developmental" uses – work sharing, job creation and training.

In 1979, the benefit rate was reduced again, to 60%; entrance requirements were increased for re-entrants and new entrants to the labour force; new, more restrictive rules were introduced for repeat claimants and part-time workers. The financing formula was changed again to reduce the government's obligation for the costs of extended benefits and to provide for a "claw back" of benefits paid to claimants whose income exceeded 1.5 times the yearly maximum insurable earnings level.

In 1980, rules for part-time workers were loosened again. The funding formula was changed again to reduce further the government's obligations with respect to extended benefits.

In 1981, the Employment and Immigration Task Force on UI recommended further cutbacks to the program. Its recommendations would have reduced program costs by an estimated 3.5%. These recommendations died an early death, as the 1982–83 recession made UI cuts politically impossible.

In 1983, changes were made to several odious provisions affecting maternity benefit claimants, and the place of fishing benefits in UI was confirmed following a Supreme Court decision which put them in jeopardy.

In 1984, Finance Minister Michael Wilson served notice that UI was on the chopping block. New regulations were introduced governing treatment of pension income and severance and vacation pay which resulted in drastic benefit cuts for recipients of such income.

In 1985, this Commission was created as a Cabinet compromise between those who wanted to cut the unemployment insurance program even further and those who were opposed to any cuts.

Two themes run through the cuts that have been imposed on the UI program since 1971. First, governments have responded over and over again to complaints, from UI's critics, that the program is too generous. Second, governments have pursued single-mindedly an objective of reducing their own financial obligations to the Unemployment Insurance Account.

The Commission of Inquiry on Unemployment Insurance comes at the end of a long line of cutbacks that responded to the louder voices of the conservative business community and the government budget cutters. In our view, the Commission of Inquiry should have had that context in mind when it listened to the same louder voices calling for even further cuts in the program. In our view, the Commission's job was not to provide yet another vehicle for those with louder voices. It was to give voice to Canadians whose concerns about more than a decade of cutbacks have not been heard, and to re-establish a sense of balance in changes to the program.

Unfortunately, the three Commission members who have wholeheartedly endorsed the Forget report did not agree.

The Philosophy Behind the Forget Report

The sweeping changes to UI recommended in the Forget report are aimed directly at cutting benefits for the two specific categories of workers whose risk of unemployment (and need for unemployment insurance) is the greatest: seasonal workers and so-called "10 and 40 syndrome" workers (people who allegedly work for only enough weeks to qualify for UI, and then go back onto UI – literally, people who work 10 weeks and collect UI for 40, year in and year out).

In order to "get" these workers, the report proposes changes that will eliminate the link between rates of unemployment and benefit entitlements, destroy the weekly earnings replacement basis of the program, push benefits below $100 per week for 47% of UI claimants, and reduce benefits for more than 78% of present UI claimants.[1]

Yet the facts show clearly that seasonal workers make up a relatively small and shrinking proportion of the labour force and of UI claimants. And Statistics Canada figures show that UI claimants who work for 15 weeks or less and receive more than 40 weeks of benefits – a broader category than the "10 and 40 syndrome" – make up less than 3.5% of claimants and receive less than 4.5% of benefits.

Even if we were to accept that workers who are not able to find work for a full year constitute a problem for the UI system, solving the problem the way it is proposed in the report is like recommending amputation as a treatment for a cut finger.

But more than that, we cannot accept, and we doubt that Canadians in general can accept, that a social insurance program that is supposed to deal with unemployment should penalize severely precisely those people who are most likely to become unemployed.

The fact that the report would impose penalties on those who experience unemployment most frequently reflects a deeper bias in the thinking behind its recommendations. The Forget report sees unemployment as having become more a problem of individual behaviour, and less one of aggregate economic activity, as the Canadian economy has evolved.

A quote from Chapter 2 of the Forget report makes the point:

> The importance of seasonal and cyclical factors in the level of overall unemployment is declining relative to the impact of structural causes. Structural unemployment arises from fundamental changes in the requirements of firms and the skills, experience and/or location of unemployed workers.[2]

"Mismatches" between workers and available jobs are twice cited as a major factor in unemployment.

In other words, unemployment is the result of the failure of individual characteristics to match the needs of the economy, rather than any deficiency in overall economic activity. The report makes no attempt to distinguish the effect of high rates of unemployment from the characteristics of UI and its claimants.

A detailed analysis of the Forget report's view of employment and unemployment is presented in Supplementary Appendix A of this minority report.

Notes

[1] Figures on the impact of annualization of benefits used in this report were prepared for the Commission of Inquiry on Unemployment Insurance by Tristat Resources Ltd. using a special simulation model developed for the Commission. The simulation is based on 1984 claimant data, adjusted to reflect 1985 administrative data on employment patterns.

[2] This report is in response to the last completed drafts of the majority report that were made available to us on September 10 for some chapters, and September 26 for others. Any discrepancies would be accounted for by changes in the majority report after those dates.

Chapter 2: The Forget Proposal – A Critique

The Forget Proposal: Benefit Annualization

The core of the recommendations endorsed by three of the six members of the Commission is benefit annualization, a proposal to replace the current three-phase (labour force attachment, labour force extended and regionally extended) benefit structure with a system that would provide for a uniform maximum benefit duration but would tie the benefit rate directly to the number of weeks a claimant has worked in the previous 52 weeks.

The Number Tells the Story

The annualized benefit system proposed by the Commission would be by far the largest single cut in benefits in the history of the program.

Overall, benefits would be cut by approximately 30%. Cuts would vary from province to province from a high of 50% in Prince Edward Island to a low of 16% in Ontario.

More than 78% of 1985 claimants would have received less under the proposed system than they actually received. The average weekly benefit cut for those UI claimants would be $72.50.[1]

Just over 20% of 1985 claimants would receive more under the proposed system than they do under the present system, an average increase of less than $20.76.

Under the proposed system, an estimated 37% of those eligible for unemployment insurance would be eligible for benefits of less than the approximately $80 per week which welfare pays to single employable persons in most provinces.[2] Only 10% of current claimants receive benefits that low.

More than 62% of claimants would receive less than the $140 per week that welfare pays to a single parent with a child in most provinces.[3] The corresponding figure for the current program is only 33%.

Annualization would, in effect, make unemployment insurance irrelevant for a substantial proportion of the unemployed in Canada.

The impact would be catastrophic for individuals, for families, for industries and for regions.

How Annualization Would Work

Annualization is described in the Forget report as a way to base unemployment insurance benefits on annual insurable earnings rather than on weekly insurable earnings.

Here's how it would actually work. For anyone who has worked for a full 52 weeks prior to filing an unemployment insurance claim, very little would change. The weekly benefit cheque would be a figure that is roughly equivalent to ⅔ (66.7%) of weekly insurable earnings in the present program.

The problem is that just over 3/4 of UI claimants qualify with *fewer* than 50 weeks of work in the year before filing a claim. For anyone who has not worked a full 52 weeks, annualization has a significant impact.

Every week that a claimant was unemployed in the 52 weeks before filing a claim (the reference period) reduces the weekly UI benefit he or she is entitled to receive. The reduction is directly proportional to the number of weeks he or she was unemployed.

For example, a claimant who had worked for 20 weeks in the reference period and was unemployed for 32 weeks would have a benefit rate of only 26%. This is calculated by taking the number of weeks of employment (20), dividing it by 52 and multiplying the result by 66⅔%.

A claimant who had worked for 26 weeks would be entitled to half of the full benefit rate, or 33%.

Because the percentage that the Forget report *calls* the benefit rate is increased from the present

60% to 66⅔%, it appears to be providing for an increase. As the examples above show, however, for any claimant who had not worked a full year, the proposal means a dramatic cut in benefits.

For 1 claimant in 12, the benefit rate would be less than 20%. It would be less than 40% for one half of the unemployed, and less than 50% for 60% of the unemployed (Figure S2.1).

The present unemployment insurance system pays weekly benefits equal to 60% of weekly insurable earnings. The maximum weekly insurable earnings is $495. The benefit payable depends only on a claimant's insurable earnings.

The proposed system would make benefit rates dependent on the number of weeks worked by a claimant in the year before filing a claim, as well as the claimant's weekly insurable earnings while working.

An unemployed worker who had worked 26 weeks out of the previous 52 would have his or her weekly benefits reduced by 50% (compared with what would have been received at the same benefit rate without annualization) because of the period of unemployment in the previous year. Someone who had been unemployed for 39 weeks would have his or her benefits reduced by 75%. Someone who had been unemployed for 13 weeks would have his or her benefits reduced by 25%.

Figures S2.2 and S2.3 show the impact on benefits for various combinations of insured weeks and insurable earnings.

The figure works like a mileage table on a map. For example, with weekly insurable earnings of $200 and 30 weeks of employment in the 52 weeks prior to filing a claim, benefits under annualization would be $77.

Figure S2.3 works the same way as Figure S2.2. At $200 weekly insurable earnings and 30 weeks of employment, the benefit cut would be $43 per week.

Although the stated earning replacement rate is 66⅔% (that is, benefits 66⅔% of insurable earnings), the actual (effective) replacement rate varies with the number of weeks of insurable employment.

Figure S2.4 shows how 1984 claimants would have been affected.

For example, claimants with 20–29 weeks worked in the reference period made up 26% of claimants. On average, they had 23.69 weeks of insurable employment in the reference period. Their average benefit rate would be 30.4%, just over half the present benefit rate.

The Rationale for Annualization

The argument for annualization of benefits and the elimination of labour market extended benefits (known as regionally extended benefits) stands on four legs: a set of implausible (and unprovable) assumptions about the financial planning time horizons open to working people; a concept of equity that is meaningless when applied to social

Figure S2.1
Typical Replacement Rates

Weeks worked	Replacement rates Present system	 Under annualization	Cumulative total of claimants under annualization
10	60%	13%	3.9%
15	60%	19%	
20	60%	26%	15.9%
25	60%	32%	
30	60%	38%	49.1%
35	60%	45%	
40	60%	51%	61.2%
45	60%	58%	
50	60%	64%	84.3%

Figure S2.2
Weekly Benefit under Annualization
(In dollars)

Weeks worked in reference period	Weekly earnings of $50	 $100	 $150	 $200	 $300	 $400	 $495
10	6	13	19	26	38	51	63
15	10	19	29	38	58	77	95
20	13	26	38	51	77	103	127
25	16	32	48	64	96	128	159
30	19	38	58	77	115	154	190
35	22	45	67	90	135	179	222
40	26	51	77	103	154	205	254
45	29	58	87	115	173	231	286
50	32	64	96	128	192	256	317

insurance programs; the rejection of any link between unemployment rates in local labour markets and the difficulty of finding a job; and unquestioning acceptance of myths about UI that are demonstrably false.

Assumptions about Behaviour

Annualization is based on the assumption that working people plan their expenditures year by year on the basis of their annual incomes, rather than week by week. Working people are assumed to know in advance how many weeks in a given year they will be employed. It is assumed that people are able to plan their expenditures on the basis of how much they will earn over the entire year. And it is assumed that working people, having determined their earnings a year in advance, will be able to save enough money while they are working to tide themselves over the periods when they are not.

Despite the fact that there is no evidence to support the assumption, it is stated in the report (Chapter 7) as a bald fact:

> Most workers establish expectations and make financial commitments on the basis of their annual earnings.

The report (Chapter 7) also makes a rather odd – and again unsupported – assumption about family budgets:

> Fifty percent corresponds to the share of household income that goes to current living expenses that cannot be postponed.

No source is given for the assertion. It is simply stated as a fact. And it is quite clearly incorrect.

For example, the 1982 edition of Statistics Canada's "Family Expenditure in Canada" shows that families of two or more with the maximum insurable earnings spend over 70% of their earnings on non-postponable items.[4]

The reasoning that flows undeterred from patently unrealistic assumptions may satisfy social engineers moving people's lives around like pieces on a chess board. But the reasoning and the assumptions on which it is based have nothing to do with the real world.

In the real world, in which more than half of working people are paid by the hour, annual budgeting of family expenditures is an absurd suggestion.

In the real world, two weeks' notice of a layoff is generous and most are laid off with far less. Being able to predict layoffs in advance is, for the vast majority of employees, inconceivable.

And in the real world inhabited by the typical UI recipient, the assumption that they earn enough while working to be able to save for this anticipated-in-advance unemployment is a cruel joke. The maximum UI insurable earnings is less than $500 per week – barely over the poverty line for a family of four in many parts of Canada. The geniuses behind the annualization proposal may have incomes high enough to enable them to have firm year-to-year spending plans. The ordinary

Figure S2.3

**Difference in Weekly Benefits:
Annualization and Current Program Compared**

(In dollars)

Weeks worked in reference period	Weekly earnings of $50	$100	$150	$200	$300	$400	$495
10	−24	−47	−71	−94	−142	−189	−234
15	−20	−41	−61	−82	−122	−163	−202
20	−17	−34	−52	−69	−103	−137	−170
25	−14	−28	−42	−56	−84	−112	−138
30	−11	−22	−32	−43	−65	−86	−107
35	−8	−15	−23	−30	−45	−61	−75
40	−4	−9	−13	−17	−26	−35	−43
45	−1	−2	−3	−5	−7	−9	−11
50	2	4	6	8	12	16	20

Figure S2.4

Effective Replacement Rates

Weeks of insurable earnings	Range of effective replacement rates	Average: Weeks of insurable earnings	Effective replacement rate	% of claimants	Cumulative % of claimants
8–11	11–15%	10.4	13.3%	5%	5%
12–15	16–20%	13.4	17.2%	6%	11%
16–19	21–25%	17.4	22.3%	6%	18%
20–29	26–39%	23.7	30.4%	26%	43%
30–39	40–52%	34.3	43.9%	15%	59%
40–49	53–65%	44.9	57.5%	16%	74%
50–52	66–69%	51.5	66.1%	26%	100%

working people of Canada live from week to week, from pay cheque to pay cheque.

In the real world, people live as well as they can on what they earn. When they have jobs, they eat hamburger, repair their cars when they need repair and pay their bills on time. When they don't, they eat Kraft Dinner, let their cars rust and move to cheaper apartments.

Working people would be happy to have annual job security, to be able to contract with their employers a year in advance. But working people do not have annual job security. They work or don't work as a result of decisions made by other people.

None of a working family's expenditures is annualized. The grocery bill isn't annualized. The hydro bill isn't annualized. The garage mechanic doesn't annualize the cost of a transmission job. Yet this proposal assumes that working people can predict with certainty their wages and salaries a year in advance.

It is a suggestion that should be dismissed as ridiculous in an academic seminar. As the basis for the dismantling of Canada's most important social insurance program, it is an outrageous proposal.

Equity – A Narrow Definition

One of the key arguments made against the present unemployment insurance system is that it is inequitable because UI claimants with low numbers of weeks worked in the reference period can receive UI benefits which are equal to or greater than the benefits of UI claimants who have worked a full 52 weeks. The idea of equity that lies behind these arguments, however, makes absolutely no sense when applied to an employment-related social insurance program like UI.

The problem with making comparisons between individuals, based on the amount of unemployment insurance benefits received, is that such comparisons only count what is received if the contingency insured against (i.e., the individual experiences unemployment) actually happens. They do not count what is received if the contingency insured against does *not* happen (i.e., the individual does not experience unemployment).

The mistake in using such a narrow basis for comparison is apparent when one compares the position of someone who remains employed with that of someone who experiences unemployment. The logic of the narrowly based equity critique would say that the person who is continuously employed is worse off than the person who becomes unemployed because the unemployed person has received unemployment insurance benefits and the employed person has not.

Arguments of this kind are made repeatedly in the report. The Forget report is preoccupied with what it sees as the glaring inequity of what it calls the "10-week worker" being entitled to the same benefit as what it calls the "52-week worker."

There are two main equity arguments made. First, it is argued that it is unfair that, in a high-unemployment region, someone who worked only 10–20 weeks in the 52 weeks prior to making a claim could be entitled to the same benefits as someone who worked 52 weeks in the year before.

If you look at UI as some sort of *ex gratia* bonus rather than as insurance, you might think that was unfair. But looking at it as insurance, it is clear that there is nothing unfair about the situation at all. Why? Because the claimant with 52 weeks of work in the reference period had 52 weeks of earned income in that period; the claimant with 10 weeks of work was unemployed for 42 weeks.

When you're talking about insurance, you can't look at the equity of UI benefit payments in isolation. An analogy makes the point clear. If my house burns down, and my neighbour's doesn't, am I better off than she is because I received insurance benefits from my insurance company and she got none from hers? If someone steals my car and my neighbour's bicycle, am I better off than he is because my insurance claim paid out more than his?

Of course not. And the same point applies to UI, only with greater effect, because to have been completely analogous to UI, the insurance involved should have covered only 60% or 66% of the cost of the house, car or bicycle.

An analysis of equity in insurance has to include the situation of those who do not experience the contingency that the insurance is designed to cover.

Compare three people: one has worked for 52 weeks and is still employed; one worked for 52 weeks and then filed a claim for UI; and one was unemployed for 32 weeks (receiving UI benefits for

30 of them) and was employed for 20 weeks before losing the job and filing a claim for UI.

Using our approach, the first individual is the best off of the three. He or she has worked for 52 weeks at full pay and still has a job. Even if the second and third individuals both use their full benefit entitlement on this claim, the second individual is still better off than the third. The second individual will have had 52 weeks at full pay, 2 weeks with no income, and 50 weeks of UI at 60%. The third individual, on the other hand, will have had 20 weeks at full pay, 4 weeks with no income, and 80 weeks of UI at 60%.

According to the Forget report's logic, however, the first individual is the worst off because he or she didn't receive any UI benefits. That doesn't make any sense.

The second major equity argument has to do with income. The report cites a number of hypothetical examples to show that it is possible for an employee with a high income and a small number of weeks worked to qualify for more in total benefits than an employee with a low income and a much larger number of weeks worked.

To begin with, these hypothetical examples are bound to be relatively rare. UI statistics show that higher-income claimants tend to have more weeks worked and lower-income claimants fewer weeks worked. More important, however, is the fact that the argument itself is meaningless when applied to a social insurance program like UI.

Unemployment insurance is not welfare or a guaranteed income. It is social insurance. People who earn more when they are employed are going to receive more UI benefits when they are unemployed than people who earn less when they are employed. They pay more per week in premiums as well. That might not be equitable in a program designed to offset income inequity. But that's not what UI is. The purpose of UI is not to reduce income differentials, it is to offset the consequences of a loss. The bigger the loss, and the longer it lasts, the greater the consequences of the loss and the higher the benefits.

The Attack on Regionally Extended Benefits

The 1971 changes to the Unemployment Insurance Act brought about sweeping changes to Canada's unemployment insurance system. Although many of the improvements in the program have been whittled away by legislative changes since then, the principle behind the most significant innovation in the 1971 Act has survived.

By providing for benefits linked explicitly to national and regional unemployment rates, the 1971 Act accepted public responsibility for the management of the economy and the control of unemployment. For the first time, the Unemployment Insurance Act acknowledged that unemployment is a social rather than wholly an individual phenomenon.

For the individual claimant, provision for benefits linked to unemployment rates was a recognition of economic reality. It is more difficult for an unemployed person to find a job when there are a great many other unemployed people looking for jobs at the same time than it is when unemployment is lower and there is less competition for any available jobs.

The program funding formula also made an important statement about social responsibility for the health of the economy. Unemployment insurance benefits arising from high aggregate and local unemployment rates were to be financed from general government revenues rather than from the premiums of employers and employees. The funding formula recognized a social goal of full employment and accepted social responsibility for the consequences of a failure to reach that goal.

Although the funding formula has been altered almost continuously since 1971, the basic principle of social responsibility for a share of the individual costs of unemployment has remained part of the program. Indeed, the link between public funding of UI benefits and unemployment rates is arguably the closest thing Canada has to a "Full Employment Act."

The Forget report has chosen to make the elimination of regionally extended benefits a focal point of its attack on the present unemployment insurance system.

In part, the attack is indirect. What the report sees as "inequities" in the present program and its preoccupation with "short-term" and "seasonal" workers are based on the fact that regionally extended benefits make it possible for an unemployed person to qualify for benefits that were not "earned" through individual employment. The repeated references in the report to these "problems" are, in fact, directed at regionally extended benefits. We deal with those issues extensively in other sections of our report and will not repeat the arguments here.

The Forget report also attacks regionally extended benefits directly, and it is this aspect of the report with which we take issue here.

The Forget report makes three main points about regionally extended benefits. First, it claims that there was strong pressure from those appearing at the public hearings to do away with regionally extended benefits. Second, it argues that regionally extended benefits are not really social insurance, they are "income support" and do not belong in an unemployment insurance program. And third, the Forget report denies the fundamental rationale for regionally extended benefits, the link between the rate of unemployment and the difficulty experienced by people in finding employment.

a) *Regionally Extended Benefits and the Public Hearings*

At the public hearings of the Commission, we were impressed with the willingness of people from areas of high employment to pool the risks and costs of unemployment with those in less advantaged areas.

We were also struck by the importance of extended benefits to local economies. Four examples stand out. In Atlantic Canada, the importance of benefits linked to unemployment rates was stressed by everyone who appeared, from business groups to labour organizations and individuals. All four provincial governments in Atlantic Canada gave strong support to regionally extended benefits. Those who live in Canada's most vulnerable economy understand the importance of linking benefits to economic conditions.

In Windsor, community leaders from across the spectrum underlined to us the importance of extended benefits in helping to get the community through the worst effects of the temporary collapse of the automobile industry in the early 1980s.

In mining communities across Canada, people told us repeatedly of the importance of extended benefits in helping individuals and communities weather cyclical swings in employment – swings that are endemic to the mining industry worldwide.

Workers in older established industries made a slightly different point. Older industries don't work at full speed one day and disappear the next. They often go through periods of uncertainty that can last years, during which employment can be extremely irregular. Extended benefits make it possible for industrial workers to live through these longer swings.

b) *Regionally Extended Benefits as "Income Support"*

The Forget report states its position on extended benefits clearly in Chapter 4 when it describes its classification of income security programs:

> Regionally extended benefits are a form of short-term income supplementation to those who have been able to obtain 10 weeks of work.

The above-quoted statement reflects a theme of the Forget report. Over and over again, the report describes extended benefits as "income support" or "income supplementation."

This statement would suggest that some objective determination has been made of the nature of extended benefits. It would suggest that a conclusive study had been made of the role of and rationale for regionally extended benefits and of those who draw on them, leading to this fundamental conclusion.

In fact, the conclusion stated so forthrightly in the report is nothing more than the result of a definition game.

UI benefits which are linked directly to the number of weeks worked in the 52 weeks prior to the filing of a claim are *defined* as "social insurance." All other benefits are *defined* as "income support." From those definitions, the Forget report concludes that regionally extended benefits are not legitimately part of a social insurance program.

The definition is arbitrary; the reasoning circular.

Just how thin the argument against the legitimacy of regionally extended benefits is, is made clear in another quotation from Chapter 4:

> The history and rationale for regionally extended benefits suggest that they ought not to be a part of Unemployment Insurance.

No one with any understanding of how regionally extended benefits are determined, of the basis for their inclusion in UI or of the nature of social insurance itself would make such a statement.

Social insurance is just that: *social* insurance. In our view, public funding of an element of the risk of unemployment that is a social and not an individual responsibility is not a departure from social insurance principles; it is the very essence of social insurance.

Ironically, another passage from the Forget report's Chapter 4 makes the same point, in another context:

> Critics of Canada's Unemployment Insurance have argued that a "risk" which is certain to occur and is "anticipated" should not be insured. In social insurance plans, however, "pure insurance" is not the goal: the goal is to insure against involuntary interruptions of earnings and to pool that risk among all employers and employees.

c) *Benefit Entitlements and the Unemployment Rate*

Although the name "regionally extended benefits" suggests that benefits are intended to be paid in particular regions, these extended benefits are actually tied to the rate of unemployment in the local labour market.

The original 1971 UI program had two extended phases that were linked to unemployment rates. One was tied to national unemployment rates. The other was tied to the relationship between regional unemployment rates and the national rate. The present regionally extended benefit is actually the result of collapsing two of the phases in the original 1971 program into one. As such, it is intended to provide benefits, based on local labour market conditions, in all parts of the country.

The Forget report (Chapter 2) explains the link:

> Unemployment rates give a general idea of the relative difficulty of finding a job in the area. For this reason they are used under the current Unemployment Insurance program to trigger regionally extended benefits.
>
> To the extent that unemployment rates reflect the duration as well as the incidence of unemployment, one could argue that their use as a trigger for expanded benefits may be justified.

That is precisely the point we are trying to make. The data show clearly that unemployment rates *do* reflect the duration of unemployment.

Using specially prepared claimant data provided by CEIC to the Commission, we looked at the relationship between the rate of unemployment and the duration of UI benefits, by CEIC economic region.

A scattergram (Figure S2.5) of the unemployment rate and the average duration of benefits in each CEIC economic region shows clearly the strength of the relationship between unemployment rates and the duration of unemployment.

The concentration of observations in the band sloping upwards to the right makes the point that, as the local rate of unemployment goes up, so does the average duration of unemployment.

It is important to note that this strong relationship between unemployment rates and the duration of unemployment emerges from data from economic regions across the country.

The evidence we have presented is not saying that Atlantic Canada has high unemployment rates and long benefit durations. It is saying that wherever you are in Canada, a high local unemployment rate is associated with long benefit durations – i.e., with the difficulty faced by the unemployed in finding another job.

Other material produced for the Commission makes the point in a different way. A scattergram was produced that addressed the relationship between the local rate of unemployment in a region and the proportion of terminating claims in which benefits were exhausted. The scattergram revealed that there was no systematic relationship between exhaustees and the rate of unemployment. That is precisely what you would expect to see if regionally extended benefits were doing what they are supposed to be doing – offsetting differences in the difficulty in getting a job in high-unemployment regions. Had a strong relationship between the rate of exhaustees and unemployment rates been demonstrated, that would have been strong evidence that regionally extended benefits were not doing what they are supposed to do.

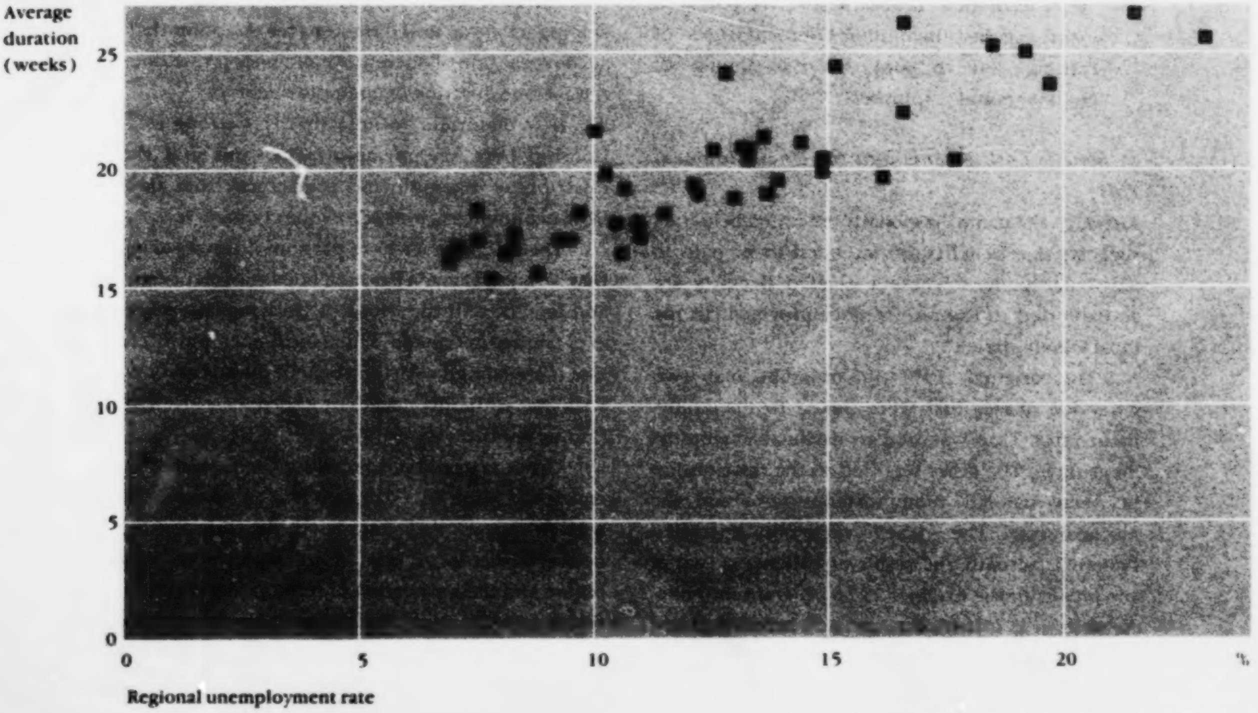
The material we analyzed makes another important point as well. In addition to benefit durations, we looked at the relationship between unemployment rates and the number of weeks of insurable earnings claimants had at the beginning of their claims.

Figure S2.6 presents a scattergram of our findings.

The strong negative relationship between weeks of insurable earnings of UI claimants and regional unemployment rates makes the point that, throughout Canada, unstable employment patterns (as reflected by lower numbers of UI insurable weeks of work of UI claimants) are linked to high unemployment rates in local labour markets.

The regional data also revealed another interesting pattern. We looked at the relationship between regional unemployment rates and the difference between "average weeks of insurable earnings" and "average benefit duration." This gives us an indicator of employment instability as it relates to local unemployment rates. The greater the difference, the more stable the employment pattern. UI critics, from the Macdonald Commission on down, have been preoccupied with claimants who are able to receive more in total benefits than the number of weeks they worked to establish their claim in the first place.

Figure S2.5
Duration and Unemployment Rate, 1984



Source: Special tabulations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data 1984.

We were interested in seeing if the phenomenon showed up in aggregate statistics, and if the strong influence of aggregate economic factors on "benefit duration" and "average insurable weeks" held up for the difference between them. The results appear in Figure S2.7

In only 4 of the 44 economic regions for which complete data were available was the average duration of benefits greater than the average number of insurable weeks worked in the UI reference period.

And the data again show clearly the influence of aggregate economic factors on UI data. There is a strong negative relationship between regional unemployment rates and the difference between average insurable weeks and average benefit duration. Wherever you are in Canada, unstable work patterns and longer average claim periods are found in local labour markets experiencing higher unemployment rates.

What we have presented above may appear to some as proving the obvious. After all, the idea that it should be harder to find a job when unemployment rates are relatively high than it is when unemployment rates are relatively low is a staple of introductory economics courses.

We have gone into this degree of detail because the denial of a link between conditions in the local labour market and the length of time it takes to find a job is crucial to the Forget report's case against regionally extended benefits.

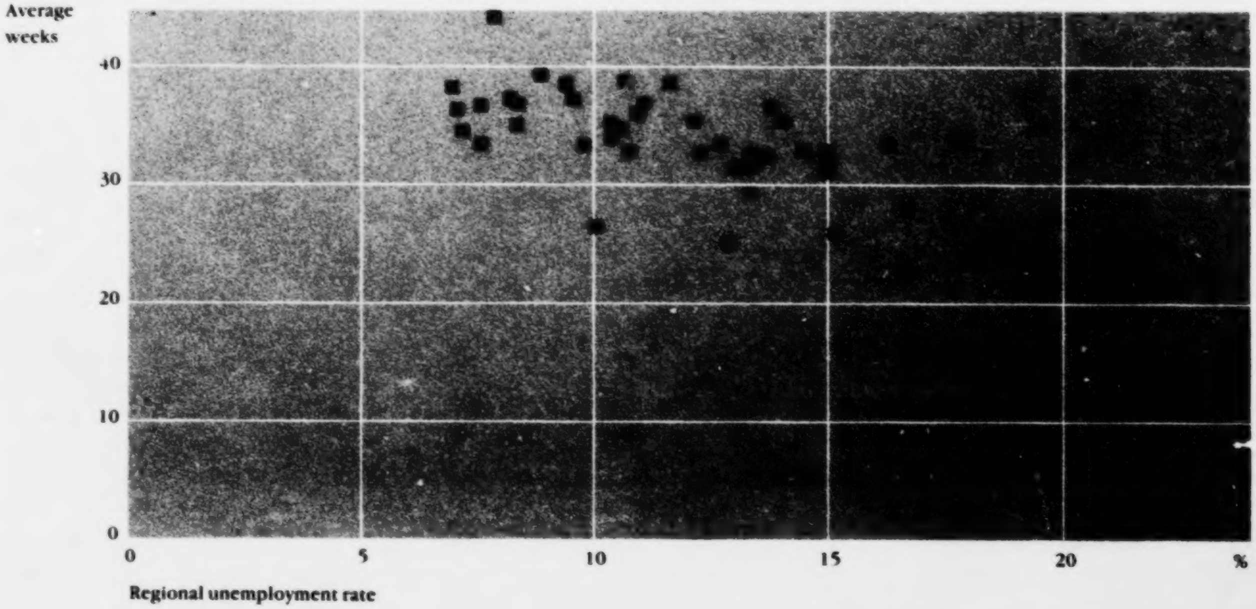
d) *Labour Market Extended Benefits: The Essence of Social Insurance*

Unemployment insurance is social insurance. Its purpose is to bridge the earnings gap between jobs for employees who become unemployed. It is clear from the evidence, as well as from basic economic theory, that the earnings gap will last longer, on average, when aggregate unemployment rates are

Figure S2.6

Weeks Worked and Unemployment Rate

(Weeks of insurable employment)



Source: Special tabulations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data 1984.

high. Society as a whole, and not the individual, is responsible for aggregate rates of unemployment.

In our view, that makes publicly funded extended benefit entitlements sensitive to overall economic conditions more than legitimate. It makes them an essential part of unemployment insurance as social insurance.

UI Myths and the Forget Report

No program could affect directly as many people as unemployment insurance without creating its own mythology.

Years of emotional public debate, regular legislative changes, concerted government campaigns for spending cutbacks and countless stories told over the back fence, in the lunchroom or over a few beers in the local bar have given unemployment insurance more than its share of mythological figures.

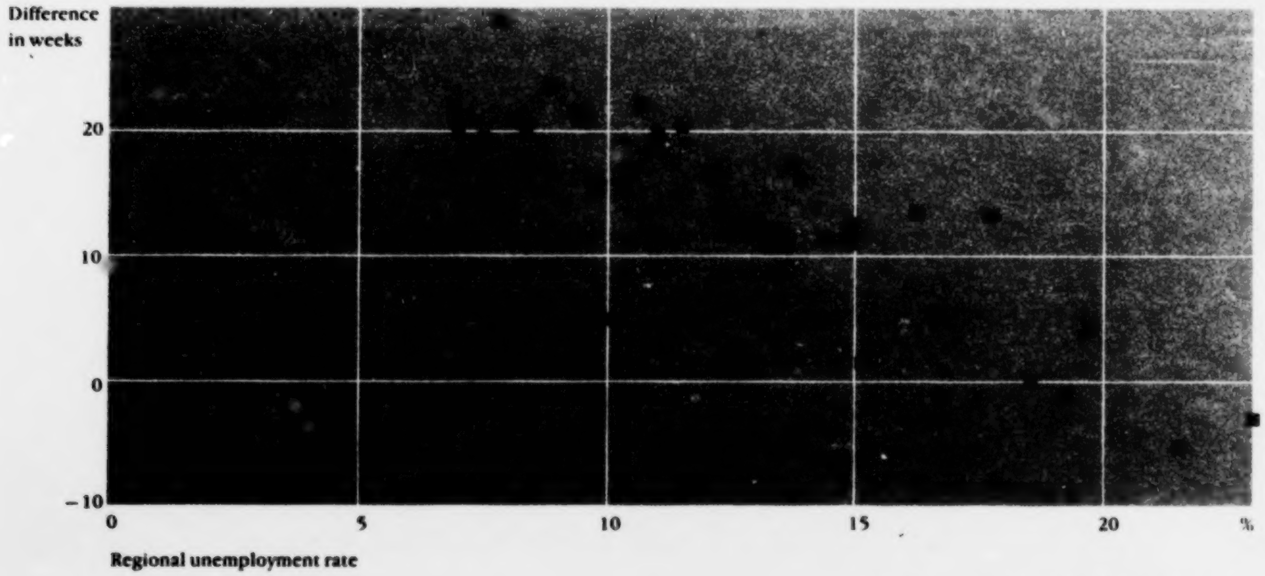
Everyone in Canada "knows" about someone who goes to Florida every year on UI. Everyone in Canada "knows" about an 18-year-old school drop-out who works for 10 weeks and then goes skiing or windsurfing for the rest of the year, courtesy of the unemployment insurance program. And everyone "knows" about fishermen who earn $60,000 in two weeks and collect unemployment insurance for the rest of the year.

The fact that many Canadians believe that many of the myths about UI are an accurate description of the program and its impact on the Canadian labour market is not suprising. For more than a decade, governments have dedicated themselves to undermining public confidence in the program as a way of building support for benefit cutbacks. Those governments have not seen it in their interests to encourage a critical evaluation of the common criticisms of UI.

Figure S2.7

Employment Patterns and Unemployment Rate, 1984

(Insurable weeks minus duration)



Source: Special tabulations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data 1984

However, as commissioners, we would have thought that one of the first tasks of a public Commission of Inquiry on Unemployment Insurance would have been to evaluate the commonly held beliefs about UI to determine if they still (or ever) held water. We would have thought that the first exercise would have been to get everyone's old chestnuts out onto the table so they could be examined critically.

That never happened. The majority of the Commission members chose either not to ask the critical questions or to ignore the answers when they got them. Thus, instead of a report that builds on an intelligent response to the facts about the UI program, the Canadian public has been presented with a report that has accepted uncritically all of the major myths about the UI program and recommended sweeping and devastating changes in that program based on little more than the belief that those myths hold true.

Instead of examining critically those old chestnuts, the Forget report has merely warmed them up.

a) *Program Abuse*

Ever since the substantial UI reforms in 1971, each successive round of benefit cutbacks has been preceded by an attempt by government and critics of UI to focus attention on so-called cheaters. No less an authority that Bryce Mackasey, a sometime minister responsible for UI, has indicated that this has been precisely the government's strategy.

> Either by coincidence or design, prior to every one of these amendments, we had a well-orchestrated campaign based on the alleged abuse of the plan, thus preparing and conditioning people for the amendment and supposedly aimed at reducing the abuse or tightening up the regulations, when in fact the main purpose of most of the amendments was to shift the financial burden from government to the employer-employee. I think that has been very unfair. (Hansard, June 19, 1980, pp. 2290–91)

The public is softened up to be more receptive to unemployment insurance cuts by horror stories of fraud and misrepresentation. Government spokesmen attempt to create the impression that unemployment insurance recipients are enjoying a publicly funded holiday while the rest of us slave away to keep them in clover. Outrageous hypothetical cases are dreamed up to create the impression that everyone on unemployment insurance is a lazy bum who is ripping off the system at the public's expense.

The fact that each successive crackdown has failed to reveal any significant pattern of abuse or fraud does nothing to deter UI's critics from doing the same thing as a precursor to the next round of cutbacks.

The current government began its approach to UI in the same vein. In the same *Economic Statement* in which it announced that severance pay and pension income would be treated as "earnings" for UI purposes, it also announced an "intensification of the claimant interview program." This was later revealed to mean having 700 additional benefit control officers to call in claimants for interviews.

In fact, (as the government realized – it never implemented the change), the evidence runs dramatically in the other direction. The vast majority of the overpayments discovered by UI in its audits (roughly 5% of claims) are the result of errors, either by claimants or by employers, in filling out UI reporting forms. Given the chorus of complaints – from business, labour and community groups and UI staff alike – about the complexity of program administration and the inadequacy of the program's communication with the public, it would be surprising if there were not substantial numbers of errors.

What is remarkable is that, with 3 million claims filed each year, only 200 claimants a year are successfully prosecuted for fraud. Actual abuse of the program is minuscule.

Despite the regularly repeated attempts by UI's critics to generate public concern about UI abuse, there are growing signs that the public is no longer receptive to the scare tactics. In part, the weakening of the abuse arguments is the result of them having been repeated, and found to be groundless, too often.

But the dramatic increase in the rate of unemployment in the 1980s has brought the program, and the groundlessness of the allegations of abuse, much closer to Canadians. It is difficult to sustain an argument that the unemployed are lazy bums when claims rise to 3 million in a year, and virtually everyone knows someone personally who has been touched by unemployment.

With that many people experiencing unemployment, it is much more difficult for people to think of the unemployed as "them." To borrow a phrase from the cartoon character Pogo, "We have met the unemployed, and they is us."

Unfortunately for the unemployed, and for the unemployment insurance program, the myth of abuse is virtually the only one the Forget report managed to avoid.

b) *The "10-Week Worker"*

> In high unemployment areas, regionally extended benefits mean that 10 weeks of work can result in 42 weeks of benefits. (Forget report, Chapter 4)
>
> ...the current Unemployment Insurance program was perceived as providing too much assistance to certain individuals – primarily short-term and seasonal workers ... (Forget report, Chapter 7)
>
> The new approach ... is more equitable in its treatment of short-term and seasonal workers. (Forget report, Chapter 7)

The most persistent of the new myths about unemployment insurance is the spectre of the "10-week worker syndrome." The "10-week worker" or "short-term worker" is a very popular figure in the hypothetical cases put forward by critics eager to make deep cuts in UI benefits.

According to the mythology, this worker lives to collect UI. He or she works for 10 weeks every year, just enough to qualify for UI, and then lives on UI for the rest of the year. Life is organized around qualification for UI.

The 10-week worker fits into one of two categories. The 10-week workers in what are called "UI-dependent communities" and/or "UI-dependent industries" do not necessarily choose to be UI dependent. Rather, their communities and industries are supposedly organized to provide just enough work every year to enable people to qualify for UI.

Ten-week workers in more broadly based economies are characterized as having made a choice to organize their lives in order to collect the maximum UI benefit. They either choose jobs that are short term or quit their jobs as soon as they get in enough weeks of work to qualify for UI.

Dealing with the "short-term worker problem" has been accepted uncritically as the be-all and end-all of objectives for UI reform by the proponents of massive cuts.

The Forget report is no exception. Despite having done no serious research on the subject of short-term workers, it recommends massive changes directed totally at this "problem."

This fixation is totally misplaced, for a number of reasons. First, there are some basic factual problems with the arguments. Even in the highest-unemployment areas of the country, a 10-week worker who *quits* a job to go on UI qualifies for a maximum of 36 weeks of UI. (He or she would qualify for 10 weeks of basic benefits, plus 32 weeks of regionally extended benefits, minus the 6-week "quits" penalty.) In the worst hypothetical case, the "UI-dependent worker" would go at least 8 weeks without income before UI benefits start, because of the waiting period and the penalty for voluntary quits.

In fact, it is only possible to be a year-to-year repeater working as few as 10 weeks a year in regions of Canada with unemployment rates above 11.5%. In every other part of the country, repeat claimants would be classed as repeaters and required to meet more stringent qualifying requirements.

Furthermore, the impression created by the hypothetical examples – that the "10 and 40" worker can claim UI and then just sit back and collect the cheques – is a blatant distortion of reality. It ignores the existence of job search requirements, backed up with disqualifications for refusal to accept a progressively looser definition of "suitable employment."

Second, the behavioural assumptions underlying this argument cannot be allowed to go unchallenged. The notion that employees are able to exercise that kind of control over their working lives is absurd. One conjures up the notion of employees hiring themselves and laying themselves off at will, irrespective of economic conditions and the availability of work, all so they can qualify for as much UI as possible – all for the privilege of getting an income that is at least 40% less than their earnings, while they conduct a search for another job.

The unemployed must be very strange creatures indeed to choose that kind of a life over steady employment – if they have the choice. That's the point, of course. Choice. What lies behind the fixation with the "10 and 40 syndrome" is the notion that unemployment is strictly an individual problem unrelated to general economic conditions, the notion that "there's a job out there for anyone who really wants to work."

Third, the fixation with short-term UI-dependent workers misses the most obvious fact. There aren't very many of them to begin with. UI statistics show that workers who qualified for UI with 15 or fewer weeks of employment and received more than 40 weeks of benefits made up just over 3% of claimants and received less than 4.5% of benefits in 1984. Workers with 15 or fewer weeks of work who received more than 30 weeks of benefits made up only 7.1% of claimants and received 9.4% of benefits.

Even these figures overstate the numbers. The "syndrome" refers to year-after-year repeaters as short-term worker claimants. But the data do not exist to substantiate the assertion that even a significant proportion of the 3.5% of claimants that fit the profile in a single year are, in fact, consistent repeaters. UI does not collect multi-year data.

Figure S2.8

Voluntary Quits and the "10 and 40 Worker"

Weeks of insured employment	Voluntary quits	Total claimants	Quits as percent of claimants
8–11	667	79,810	1%
12–15	1,311	195,690	1%
16–19	2,848	152,030	2%
20–29	33,977	585,840	6%
30–39	29,407	341,010	9%
40–49	76,400	353,520	22%
50–52	75,977	555,910	14%
All quits	220,587	2,263,810	10%

Source: Special tabulations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data 1984.

Finally, there is no evidence whatsoever in *overall* UI data that the "10 and 40 worker" or even a "26 and 26 worker" is a significant phenomenon. Indeed, the evidence points in exactly the opposite direction.

If the "10 and 40 syndrome" existed, one would expect to find voluntary quits heavily concentrated in the groups of claimants with low numbers of weeks worked, as workers quit their jobs to begin collecting UI benefits. In fact, as Figure S2.8 shows clearly, workers with low numbers of weeks worked are significantly underrepresented among voluntary quits. Less than 2% of claimants with fewer than 20 weeks worked were voluntary quits in 1984, as compared with an average of 10% and a high of 22% among claimants with 40–49 weeks of work in the reference period.

Another of the implications of the "10 and 40" and other "syndromes" is that people will stay on claim as long as they can in order to continue to collect 60% of their previous earnings. If this were in fact what people were doing, one would expect to see a noticeable proportion of claimants staying on claim for the maximum number of weeks before dropping off claim.

In graphic terms, one would expect to see a "bump" in a graph of numbers of claimants against duration on unemployment insurance: one would expect the graph to look like Figure S2.9.

The "bump" at about 35–40 weeks would reflect the UI maximizers whose claims are either exhausted or terminated to begin their next year's 10–15 weeks of work.

In fact, however, the actual plot of UI claimants against duration of claim has no such "bump." The relationship between the proportion of claimants still on claim and benefit duration in 1984 is virtually a straight line, as shown in Figure S2.10.

In short, there is no evidence of any kind that there is a substantial body of short-term workers in the labour force who are organizing their working lives in order to take advantage of the maximum benefits allowed in the unemployment insurance program.

Figure S2.9

Expected Duration on UI Assuming "10 and 40" Syndrome

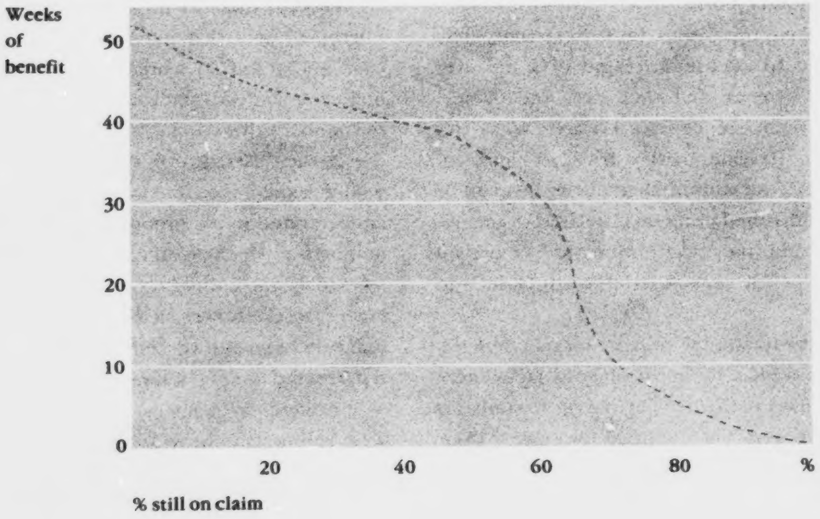
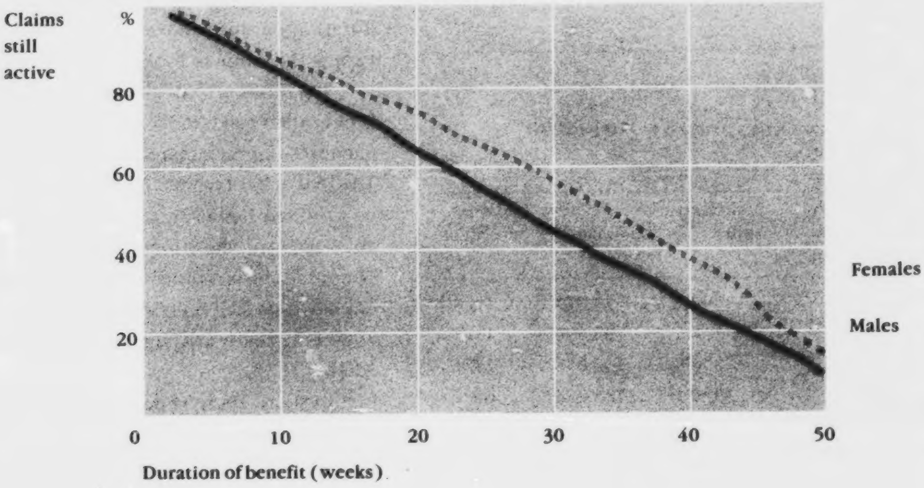


Figure S2.10

Actual Duration of Benefit

(Males and females, regular claims)



The question therefore boils down to a very simple one: should unemployment insurance provide full coverage to those workers who are forced by economic conditions to apply for unemployment insurance with less than a full year of work in the reference period? Should unemployment insurance provide full coverge to those in our society who face the greatest risk of unemployment?

We believe that providing such coverage is the essense of social insurance.

c) *UI* and Work Incentives

> Benefits must be high enough to maintain ongoing standard of living but not so much as to encourage a person to remain unemployed, supported by the program benefits. In other words, incentives to work are an essential element in any program evaluation. (Forget report, Chapter 7)

In some respects, incentives arguments against UI are obvious. The fact that UI removes the most disastrous consequences of unemployment is incontestable. UI makes unemployment less unattractive.

As persuasive as these arguments may seem on the surface, however, they don't bear very close scrutiny. They ignore a very basic fact about the attitudes of Canadians: Canadians consider work to be extremely important, in and of itself. Public opinion surveys, including one conducted by Decima Research Ltd. for the Commission, consistently show that the overwhelming majority of Canadians want to work and consider employment to be critical for their self-esteem and for their standing in the community.

Incentives arguments ignore their own economic logic. Why would anyone voluntarily give themselves at least a 40% cut in pay in order to collect UI or turn down a job in order to continue to receive benefits which are at least 40% less than what they would normally earn?

Incentives arguments ignore the rules of the unemployment insurance program: rules such as the penalty for voluntary quits; rules such as the disqualification for turning down suitable employment.

Incentives arguments ignore the facts. Not only is there no evidence whatsoever to suggest that people organize their working lives in order to maximize their unemployment insurance benefits. The evidence that is available runs in exactly the opposite direction.

And incentives arguments reflect an analysis of the causes of unemployment that has proved to be totally invalid. Implicit in the incentives argument are assumptions that unemployment is an individual problem, that people choose to be unemployed, that the key to reducing unemployment is to get more people to choose to work, and that the level of unemployment has little to do with overall economic activity.

The critical importance of overall economic activity in determining the incidence and duration of unemployment is obvious from an examination of unemployment as a regional phenomenon in Canada. As the following graph shows, those parts of Canada with the weakest economies and the highest overall levels of unemployment also have the highest incidence of unstable work patterns. The proportion of UI claimants who have less than 20 weeks of work in the reference period bears a direct relationship to the overall level of economic activity, as shown in Figure S2.11.

What this means is that unstable work patterns are the consequence of an overall weakness in the economy. And if that is true, the "solution" of penalizing the high-risk worker is not a solution at all. It will not induce more stable work patterns because it will not deal with the problem that created unstable work patterns.

d) *Labour Mobility and UI*

> The fact that unemployed persons may obtain as much as 40 weeks of unemployment insurance benefits with a 10-week attachment to the workforce . . . retards migration from high unemployment regions to areas where jobs are available. (Forget report, Chapter 3)
>
> Regionally extended benefits, for example, may encourage workers to stay in areas where they have little chance of finding a job. (Forget report, Chapter 6)

Another myth is that unemployment insurance is inefficient because it acts as a disincentive for people to migrate from regions of higher unemployment in Quebec and Atlantic Canada to Ontario and the West.

It is argued that by making it possible for people to survive in regions of high unemployment, unemployment insurance discourages people from moving to other parts of Canada to find work. In support of this argument, data are cited that show that the substantial net out-migration from Atlantic Canada in the 1960s stopped in 1971 when the unemployment insurance program was enriched.

A closer look at migration patterns in Canada in the past 25 years shows clearly that migration into and out of Atlantic Canada and Quebec has been responsive to the relative economic positions of the regions of Canada throughout the period rather than to changes in the unemployment insurance program. Figure S2.12 presents Statistics Canada figures on migration patterns and unemployment rates for selected time periods between 1961 and 1986.

When relative economic opportunities are better in Ontario and the West than in Quebec and Atlantic Canada, out-migration from Atlantic Canada continues. When economic opportunities in one of the traditional receiving regions deteriorate, the rate of out-migration tends to drop or even to reverse itself.

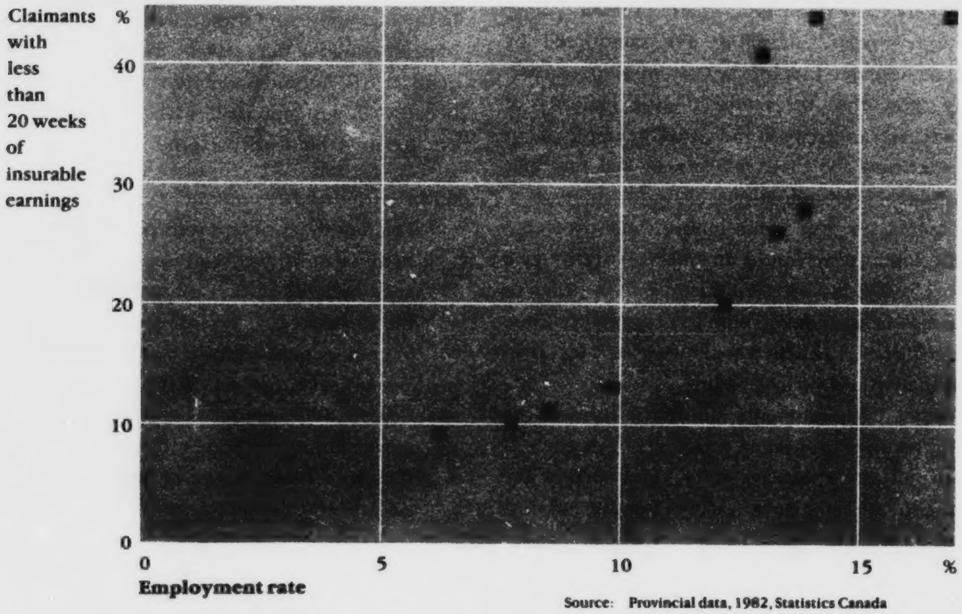
In the periods 1961–66 and 1966–71, for example, the economies of Ontario and British Columbia in particular were booming and there was substantial net out-migration from Atlantic Canada and Quebec to Ontario and British Columbia. Beginning in 1966–71, Alberta began to experience a significant net gain from migration.

From 1971 to 1976, aggressive job-creating regional development policies in Atlantic Canada

Figure S2.11

Employment Patterns and Unemployment Rate – Short Term Workers

(Average qualifying employment)



Source: Provincial data, 1982, Statistics Canada and Quebec combined with the slump in Ontario created by the 1973 oil crisis to reverse the pattern in Prince Edward Island, Nova Scotia and New Brunswick and to reduce net out-migration dramatically in Quebec and Newfoundland.

From 1976 to 1981, the resource and oil-based boom, the slump in manufacturing activity and cutbacks in federal spending on regional development together induced net migration to Alberta and British Columbia from every other province in Canada.

In the early 1980s, the powerful impact of relative economic conditions showed itself very clearly. In 1981–82, the 1976–81 pattern continued, with Alberta and British Columbia absorbing net out-migration from every other province. When the depression hit in 1982–83, however, the pattern reversed itself. Despite the dramatic drop in manufacturing employment in Ontario and Quebec and the overall weakness in the economy of Atlantic Canada, there was substantial reverse net migration away from the collapsing oil and resource economies of British Columbia and Alberta as people who had moved there to find work lost their jobs and returned to their home regions. And as the energy industry slump continued in 1983–84, reverse migration continued in all of the traditional out-migration areas except for Newfoundland, where substantial net out-migration started up again after only one year (1982–83) of net gain.

What the migration data show is that Canadians respond to relative economic conditions in the country's regions. When opportunities are better elsewhere, they move to new opportunities. When those opportunities dry up, they move back home, where the family and community support systems are better developed and more effective.

A recent study of the mining industry by CEIC using the Canadian Occupational Projection System underlines the point. It shows that, contrary to common assumptions, Canadians move frequently between regions to find work.

Far from illustrating that UI has created a nation that stays at home regardless of economic conditions, the data show that Canadians are remarkably rational in their migration patterns. They move to opportunity. And when the opportunities dry up, they move back to where it is less costly to survive – for them as individuals and for society as a whole.

e) *Seasonal Workers*

In addition to "short-term workers" the other major target of the Forget report's cuts in UI is seasonal workers.

Figure S2.12

Net Effect of Migration

	1961–66	1966–71	1971–76	1976–81	1981–86 (estimate)	1981–82	1982–83	1983–84
Newfoundland	–15,213	–19,344	–1,857	–18,983	–10,513	–5,693	1,829	–2,444
Prince Edward Island	–2,969	–2,763	3,754	–829	440	–856	636	484
Nova Scotia	–27,124	–16,396	11,307	–7,140	10,872	–1,936	3,791	4,668
New Brunswick	–25,680	–19,599	16,801	–10,351	3,498	–2,842	3,554	1,387
Quebec	–19,859	–122,736	–77,610	–156,496	–115,908	–25,790	–24,678	–19,077
Ontario	85,369	150,712	–38,560	–57,826	99,997	–5,665	23,585	42,078
Manitoba	–23,471	–40,690	–26,827	–42,218	–1,315	–2,625	2,544	–708
Saskatchewan	–42,094	–81,399	–40,752	–9,716	12,432	–323	3,580	4,202
Alberta	–1,983	32,005	58,571	186,364	–29,787	36,562	–11,650	–42,784
British Columbia	77,747	114,964	92,285	122,625	33,902	8,705	–1,489	13,125
Yukon	–1,706	1,781	988	–933	–3,840	81	–1,653	–732
Northwest Territories	–3,017	3,465	1,900	–4,497	223	382	–49	–199

The assumptions are: that seasonal workers are employed in a regular season, during which they anticipate that they are going to be employed; that during the off-season, which is assumed also to be anticipated, they collect unemployment insurance; and that they do not seek employment during their "off-season."

The theory behind the attack on UI benefits for seasonal workers is that seasonal workers earn enough money during their "on-season" to provide for themselves for the full year. As a consequence, seasonal workers should not receive coverage for off-season unemployment which occurs regularly and is anticipated.

In the first place, these are all assumptions. There are no data to back them up. There is no hard evidence to suggest that a significant proportion of seasonal workers are unavailable for work during their off-seasons.

Seasonal workers would, presumably, fit the same pattern as regular "short-term workers." Seasonality would not appear to be sufficiently significant to jump out of overall data on the UI program.

The notion that seasonal jobs pay enough during the season to cover an entire year will not bear close scrutiny. With the exception of fishing (which, as we discuss in the next section, is an exception) the skills involved in seasonal work are not unique to seasonal occupations. Skilled tradesmen or labourers in construction, for example, have skills that correspond precisely to skills in industry.

If a gap large enough to compensate for the difference in work years were to develop, it would create havoc in the markets for those skills.

The real question is whether seasonal unemployment is a legitimate draw on the funds of a national social insurance program.

Canada is not North Carolina. Our economy is heavily influenced by climate, to the point that overall economic activity in many regions of Canada varies significantly with the time of year. A significant proportion of our overall economic activity is in seasonal industries.

As a nation, we all benefit from the output of seasonal industries. Seasonal industries, however, generate seasonal unemployment. Seasonal unemployment, in the aggregate, can no more be avoided in Canada than bad weather in the winter.

What justification can there be for treating individual seasonal workers as if they have a choice, as if they actually choose to be unemployed in their off-season? In our view, there is no justification at all. Seasonal workers should be fully covered in the unemployment insurance program.

The question of benefits for seasonal workers was debated repeatedly in Canada from the 1950s to the 1970s. The 1955 Act provided for a special seasonal benefit which could be claimed only between December 1 and May 15, for a maximum of 13 weeks.

The Gill Committee in the 1960s recommended that the extended seasonal benefit be changed to a less generous "assistance" benefit. It recommended against coverage for a seasonal worker's normal off-season.

The debate continued through subsequent reviews and was finally resolved in the Cousineau Committee, appointed in 1968, which attacked what it called "the absurd link between past employment and needs in the face of interruption of earnings."

The 1971 legislation's extended benefits effectively guaranteed full coverage for seasonal workers.

The Comprehensive Review of UI in the early 1970s dealt explicitly with seasonal workers. "Any attempt to write general regulations restricting benefits during the off-season would pose serious problems as it is extremely difficult to define a season . . . In addition, such regulations would raise questions of equity and acceptability."

We see no point in debating the same question yet again.

f) *Fishing Benefits*

In a debate that is often carried on in the heady theoretical world of hypothetical examples, the most common examples drawn on to show that seasonal workers should not be covered by unemployment insurance concern fishing benefits. Everyone has heard the stories of the fisherman in British Columbia or Nova Scotia who makes a substantial income in a short season and collects UI for the rest of the year.

What the users of these examples conveniently ignore is the fact that fishing benefits are explicitly an exception in the Unemployment

Insurance Act. The rules are different from the rules for regular benefits. And fishing benefits are not even financed from UI premiums. Funding for benefits paid to fishermen in excess of premiums collected comes from federal general revenues.

Fishing benefits in UI are, explicitly, a substitute for an income stabilization plan for fishermen. Although they are administered within UI, fishing benefits are really more a part of regional development and fishing policies than they are of UI. In our view, it is inappropriate to use the program as it relates to fishing as the basis for an argument against the payment of regular UI benefits to seasonal workers.

And given the conceptual problems with industrial income stabilization programs, under the circumstances, UI may be the best way to deliver income stabilization to the fishing industry. Indeed, in a later section of this report, we will be recommending that the concept be extended to hunting and trapping, industries which have many characteristics in common with fishing.

g) *Women and UI*

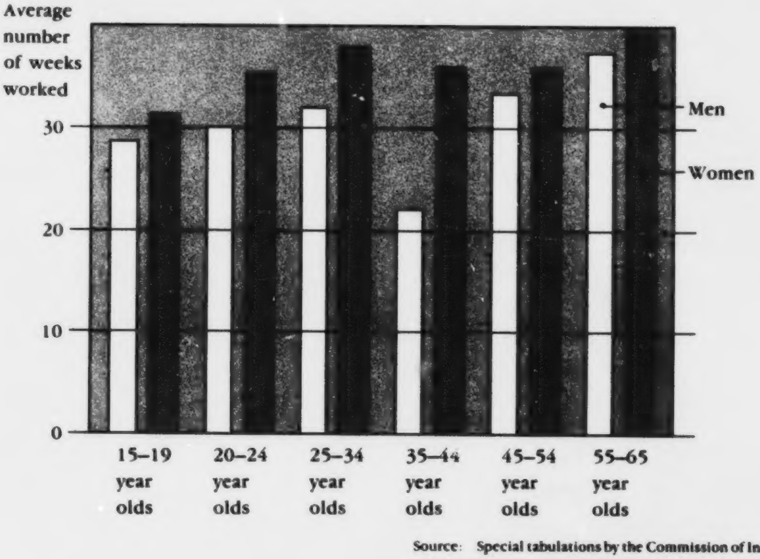
When unemployment began to soar in Canada in the 1970s, it was fashionable for a time to blame the increase in unemployment on demographic factors, specifically the "bulge" of young people from the "baby boom" moving into the labour force and the increasing participation rate of women.

Governments and economists looking for a way to explain away the phenomenon of simultaneous high unemployment and inflation focussed on these "marginal" additions to the labour force. In its most extreme form, this fashion actually tried to ignore unemployment among women and young people by using unemployment among "prime age males" (age 25–54) as the chief statistic of concern to policy makers.

This limitation of policy concern to "prime age males" was short-lived. It became socially unacceptable to dismiss the participation of women in the labour force that lightly. Despite the official change in tune, however, the fact remained

Figure S2.13

Comparison of Men and Women by Qualifying Weeks



Source: Special tabulations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data 1984.

that rates of unemployment began to be tolerated that would have been unacceptable a decade earlier.

And many of the myths about women's participation in the labour force live on as myths about the nature of women's participation in the unemployment insurance program. The language used is carefully non-sexist, but you don't have to delve too deeply into discussions of workers with short-term and unstable work patterns to find that the discussions are predicated on the assumption that it is predominantly women workers that are being discussed.

It has been argued that women stay on claim longer and qualify for unemployment insurance benefits with fewer insurable weeks than other UI claimants.

Data prepared for the Commission of Inquiry on Unemployment Insurance demonstrate clearly that the opposite is the case. Figure S2.13 shows that, in every age range, women UI claimants qualify with more insurable weeks than men.

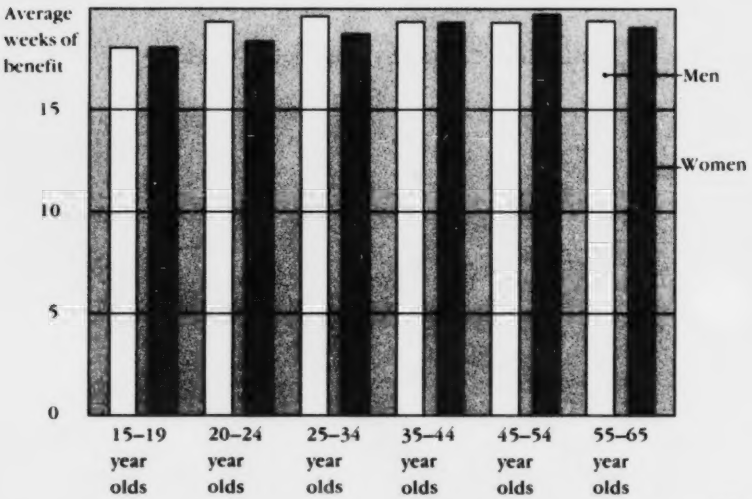
Figure S2.14 shows that only in the age ranges 15–19 and 45–54 does the average claim duration of women exceed that of men.

The Forget report avoids any explicit statement of bias against the employment aspirations of women. Indeed its language is scrupulously neutral. In fact, however, the recommendation for a special Cumulative Employment Account contains a strong systemic bias against women workers.

Despite the lack of evidence, and despite the fact that it is no longer socially acceptable to articulate bias against women workers, it is still all too common to see policy proposals that fail to acknowledge the dual role of women as labour force participants and primary care givers.

Figure S2.14

Comparison of Men and Women by Duration of Claim



Source: Special tabulations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data 1984.

Implications of Annualization

Devastating Benefit Cuts

The proposal's impact on people would be devastating. More than 78% of current claimants would see their benefits reduced under the proposal. Roughly half of present claimants would have their benefits cut to less than $100 per week.

These cuts would be suffered by the very people in our society who need unemployment insurance the most. All of the cuts would be borne by claimants who were able to find less than 47 weeks of work in the year prior to their claim. Unemployment insurance benefits would be reduced beyond the point of being irrelevant for the very people who have the greatest risk of being unemployed.

Simulations of annualization run by the Commission give the estimated distribution of the cuts in benefits (Figure S2.15).

In a private insurance program, a policy of scaling down the benefit paid as the risk increased would be described as creaming. In an unemployment insurance plan, it simply reflects a total misunderstanding of the concept and purpose of social insurance.

The whole point of public unemployment insurance is to spread the risk of financial loss resulting from unemployment as broadly as possible, not to force those with the greatest risk of unemployment to bear the greatest share of the costs.

Our unemployment insurance system is already based on shared responsibility for the consequences of unemployment. UI presently covers only 60% of insurable earnings, leaving the claimant to "self-insure" for the remainder. Reducing effective coverage beyond that point is totally unacceptable.

Figure S2.16 and Figure S2.17 show the distribution of benefit changes among 1985 UI claimants.

The distribution of the burden of these cuts by wage and salary level is also unacceptable. Simulations run for the Commission estimate that the greatest cut in benefits – nearly 39% – will fall on claimants with wages and salaries between $100 and $200 per week. By contrast, claimants with wages and salaries over $400 per week will suffer cuts of approximately 22% (Figure S2.18).

Women Particularly Hard Hit

Because women start out with substantially lower incomes from employment than men, their unem-

Figure S2.15

Estimated Change in Benefits under Annualization

Weeks worked	Change in benefits
10	−79 %
15	−68 %
20	−58 %
30	−37 %
40	−15 %
50	6%
52	10%

Figure S2.16

Distribution of Benefit Changes under Annualization

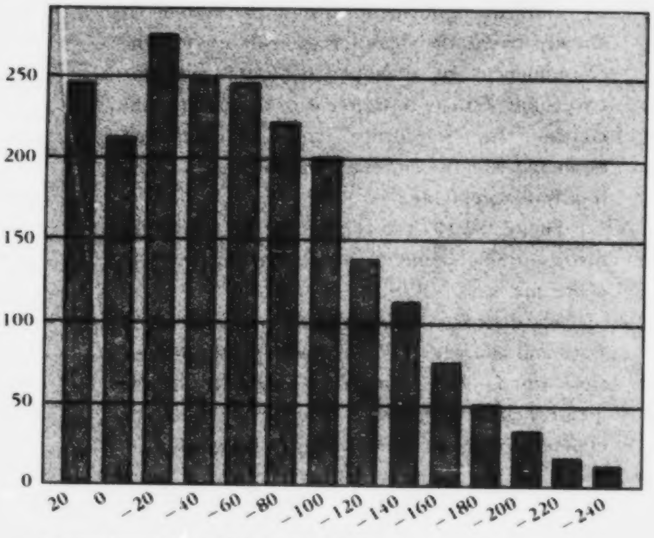
Change in benefits (in 1985 dollars)	Cumulative percentage distribution
−240 to −220	0.0%
−220 to −200	1.1%
−200 to −180	2.9%
−180 to −160	5.0%
−160 to −140	9.2%
−140 to −120	14.5%
−120 to −100	21.4%
−100 to −80	30.8%
−80 to −60	41.0%
−60 to −40	53.7%
−40 to −20	67.2%
−20 to 0	76.8%
0 to 20	93.2%
20 to 40	100.0%

Source: Special tabulations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data 1984.

Figure S2.17

Distribution of Benefit Changes Under Annualization

(Thousands of claimants)



Change in weekly UI benefits (dollars)

Source: Special tabulations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data 1984

Figure S2.18

Change in Benefits by Wages

Weekly wages and salaries	Change in benefits
$100 and under	– 36%
$100–200	– 38%
$200–300	– 36%
$300–400	– 34%
$400–460	– 26%
$460–620	– 27%
$620–770	– 27%
$770–960	– 27%
$960 and over	– 27%

Source: Special tabulations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission Data 1984

Figure S2.19

Insurable Earnings and Weekly Benefits, under Annualization and the Current Program, 1984

(In dollars)

	Weeks of insured employment						
	8–11	12–15	16–19	20–29	30-39	40–49	50–52
Insurable earnings:							
Men	283.78	280.70	286.25	272.48	289.80	294.57	309.88
Women	195.65	197.18	201.28	189.58	193.12	205.75	238.73
Benefits under present system:							
Men	170.27	168.42	171.75	163.49	173.88	176.74	185.93
Women	117.39	118.31	120.77	113.75	115.87	123.45	143.24
Benefits under annualization:							
Men	36.38	48.58	64.22	87.33	130.04	169.94	202.61
Women	25.08	34.13	45.16	60.76	86.66	118.70	156.09

Note: Assuming average number of weeks worked in each insured employment range is the mid-point.
Source: Statistics Canada.

ployment insurance benefits will inevitably be substantially lower than those of men, regardless of the UI benefit rate. Women earn only 60% of what men earn. UI benefits are therefore 60% (or 66⅔%) of 60%. This fact makes women more vulnerable to cuts in UI benefits than men (Figure S2.19).

For unemployed women, the cuts resulting from the elimination of regionally extended benefits and the implementation of annualization would be devastating. More than 23% of women whose UI claims terminated in 1984 would have received less than $50 per week. By contrast, less than 13% of men who were UI claimants in 1984 would have received less than that amount.

Regional Impact of Annualization

In a country with "too much geography" and "too much weather," regional economic disparities in Canada are going to be a fact of life unless we are prepared to see large parts of the country depopulated as people migrate en masse to the cities of central and western Canada.

Throughout our history, Canadian economic policy has had a regional focus. Regional economic disparities have been addressed directly, through employment stimulation and, indirectly, by creating national programs whose benefits are equalized across the country. National economic equalization has been an important feature of unemployment insurance in Canada right from its inception, when a constitutional amendment was required to permit the establishment of a national program with uniform standards.

The idea that economically disadvantaged regions of Canada should receive a disproportionate share of unemployment insurance benefits is well established in the present UI program and generally accepted by the Canadian public as one of the costs of Confederation.

In the words of the Royal Commission on Dominion-Provincial relations (in 1940):

> Not only national duty and decency, if Canada is to be a nation at all, but equity and national

Figure S2.20
Net Impact of Annualization, Elimination of Regionally Extended Benefits and Unemployment Rates, by Province, 1985

Province	Unemployment rate	Change in benefits		
		Annualization	Elimination of regionally extended benefits	Net total
Newfoundland	20.6%	−8%	−48%	−52%
Prince Edward Island	12.8%	−4%	−47%	−56%
Nova Scotia	13.0%	−20%	−44%	−37%
New Brunswick	14.9%	−4%	−34%	−49%
Quebec	12.8%	−3%	−33%	−35%
Ontario	9.1%	−2%	−24%	−25%
Manitoba	8.3%	−5%	−22%	−26%
Saskatchewan	8.0%	−11%	−23%	−27%
Alberta	11.1%	8%	−28%	−23%
British Columbia	14.2%	5%	−33%	−29%

Note: Total is not the sum of the change in benefits because the annualization change uses a different base (premiums) than that used for elimination of regionally extended benefits (premiums and general revenue).
Source: Special tabulations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data 1984.

> self-interest demand that the residents of these areas be given average services and equal opportunities – equity because these areas may have been impoverished by the national economic policies which enriched other areas, and which were adopted in the general interest. (Book II, p. 128)

Figure S2.21

Summary of Comparison of Annualization and the Current Program

(In millions of dollars)

	Present system	Forget proposal	Change	Percent change
Newfoundland	460	220	– 240	– 52%
Prince Edward Island	90	40	– 50	– 56%
Nova Scotia	380	240	– 140	– 37%
New Brunswick	470	240	– 230	– 49%
Quebec	2,890	1,890	– 1,000	– 35%
Ontario	2,160	1,620	– 540	– 25%
Manitoba	270	200	– 70	– 26%
Saskatchewan	220	160	– 60	– 27%
Alberta	740	570	– 170	– 23%
British Columbia	1,260	890	– 370	– 29%
Total	8,940	6,090	– 2,370	– 32%
Weeks of insured employment:				
20 and under	2,000	580	– 1,420	– 71%
20–29	2,500	1,250	– 1,250	– 50%
30–39	1,210	870	– 340	– 28%
40–49	1,180	1,120	– 60	– 5%
50 and over	2,070	2,260	190	9%
Duration of claim (weeks):				
1–10	260	200	– 60	– 23%
11–20	830	590	– 240	– 29%
21–30	1,440	920	– 520	– 36%
31–40	2,030	1,160	– 870	– 43%
41 and over	4,410	3,210	– 1,200	– 27%
Weekly earnings:				
$200 and under	1,080	670	– 410	– 34%
$201–400	4,660	3,040	– 1,620	– 35%
$400 and over	3,230	2,370	– 860	– 33%

Source: Special tabulations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data 1984.

Annualization would have a devastating effect both on the economies of the high-unemployment regions of Canada and on the idea of regional equalization itself. Annualization of UI benefits is, in fact, a perverse form of regional penalization. Annualization penalizes people who live in areas of high unemployment in two ways.

First, by eliminating regionally extended benefits, it eliminates a provision of the present UI program that addresses directly the problem of finding employment when there are large numbers of people in the local labour market unemployed.

Second, by penalizing those who are unable to find a full 52 weeks of work in the year before they file a claim, it again penalizes disadvantaged regions where unstable employment patterns are most common.

Under annualization, the overall cut in benefits of approximately 30% would have a disproportionate effect on the parts of Canada with the highest unemployment rates.

Simulations run for the Commission based on 1984 data and adjusted to reflect 1985 administrative data show that benefit reduction would reduce benefits by approximately 47% in Newfoundland, New Brunswick and Prince Edward Island. The cuts would be less than half that large in Ontario. With the slump in the oil industry in western Canada, this year's figures would likely show a similar effect on benefits payable in Alberta (Figure S2.20).

Needless to say, the effect of cuts of this magnitude in UI payments would be devastating to the economies of Atlantic Canada and eastern Quebec.

Annualization and the Present System: A Summary

Figure S2.21 summarizes the impacts of the Forget proposal province by province and on various classes of UI claimants.

The data show the impact that annualization has on workers with unstable work patterns (the greatest cuts are imposed on those with the lowest numbers of weeks of insurable employment). They also dramatize the impact on those with the lowest weekly earnings. Claimants with weekly insurable earnings less than $200 per week see a 40% benefit cut. Claimants with incomes over $400 see a cut of 22%.

Because annualization's impact on benefits depends on average weeks of insurable earnings, its impact will vary from year to year depending on unemployment rates.

Figure S2.22 presents estimates of the impact of the cuts over the period 1973–86.

With higher unemployment rates, unemployment affects a broader spectrum of the work force. UI claimants, as a group, tend to be workers with longer work attachments in the period. Under annualization, the larger the proportion of claimants who have large numbers of weeks worked in the reference period, the higher the average benefit.

With unemployment rates in the 10% range as at present, the expected average cut in benefits would be in the 34%–35% range.

Provincial Welfare Costs Up

Cuts in UI benefits will also have a substantial impact on provincial and local social assistance agencies. Even under the present UI program, Commission members heard about problems caused by late UI benefit payments for local welfare offices and the additional burden on welfare budgets when large numbers of people in a local area exhausted UI benefits.

Annualization would compound these problems immeasurably, by reducing the benefits of a significant proportion of UI recipients below welfare rates. Provincial and local social assistance authorities would be confronted with large numbers of UI recipients whose benefits are so low that they have to fall back on social assistance anyway.

The Forget report itself estimates that the number of claimants receiving less than $100 a week will triple (Chapter 7).

Even using the conservative assumption that the current proportion of former UI recipients moving to social assistance will continue to apply in the future, it is estimated that total social assistance costs will increase by $486 million. Half of that will have to be found by provincial governments, the bulk of it in economically disadvantaged areas.

Working Poor Pushed Further into Poverty

Annualizing unemployment insurance benefits will contribute significantly to poverty in Canada. It is as simple as that. The largest share of the burden of benefit reduction's benefit cuts will be borne by people who already have difficulty finding and retaining jobs, and whose wages from employment, when they are working, are significantly below the national average.

The number of people and families at poverty income levels will go up. The number of people and families who are receiving social assistance will go up. And in several provinces, people who are now able to get by, working when they can find a job and living on unemployment insurance when they can't, will end up living on the street and eating in soup kitchens. Benefits for many people will be cut from a subsistence minimum to a few dollars a week, far less than it takes to live.

Figure S2.22

Estimated Reduction in Unemployment Insurance Benefits, 1973–86

Year	National unemployment rate	Percentage reduction in benefits
1973	5.5%	37.8%
1974	5.3%	38.2%
1975	6.9%	37.9%
1976	7.1%	35.4%
1977	8.1%	37.2%
1978	8.3%	33.0%
1979	7.4%	34.1%
1980	7.5%	28.2%
1981	7.5%	26.5%
1982	11.0%	25.4%
1983	11.9%	23.7%
1984	11.3%	30.5%
1985[a]		
1986[b]	10.0%	34.4%

[a] not available.

[b] January to March only.

Source: Special tabulations by the Commission of Inquiry on Unemployment Insurance based on Canada Employment and Immigration Commission data 1984.

The economic impact is obvious. What is perhaps not as obvious, but just as important, is the social impact. Working people who can't find enough work for a full year will find themselves on welfare. Instead of receiving benefits to which they are entitled, as unemployed working people, they will be receiving social assistance. A whole segment of Canada's working poor will be forced onto welfare.

The Forget report's response to the impact of its major recommendations on poverty is to propose a vaguely defined employment income supplementation scheme. Earlier drafts of the report contained a specific proposal that was so inadequate that the details were removed in later drafts in an attempt to avoid embarrassment.

The idea contemplates spending substantially less money on a slightly broader group of people than those hurt most by annualization.

The Impossible Achieved: A Program as Complex as Today's UI

By far the most consistent complaint heard by the Commission about the UI program in its hearings across Canada was about the complexity of the program. Variable entrance requirements and different rules for different types of benefits came in for a great deal of criticism from employers in particular, while employee representatives complained that they were often forced to pay the price for mistakes by their employers in filling out forms.

The Forget proposal would eliminate many of the program rules that gave rise to these complaints – it would also eliminate a substantial portion of the program in the process.

But the Forget proposal substitutes for the complexities of the current system a new set of complexities that should prove to be even more frustrating to employers and employees alike.

The 350-hour entrance requirement will necessitate keeping records for UI of all hours worked. New rules for work while on claim will require benefit payments to be adjusted every time a claimant's on-claim earnings change, no matter how low those earnings are.

For claimants, the situation will be worse than at present. Compared with the present system, in which normal weekly earnings would be a reasonable guide to the base for likely benefit levels, a claimant under the Forget proposal would likely have no idea what his or her weekly benefit level would be.

The calculation would run as follows:

1 Calculate total hourly insurable earnings in the previous 52 weeks.
2 Divide that amount by 52.
3 Multiply the result by 66⅔%.

A claimant who didn't have access to all of that information would be able to guess at his or her benefits by multiplying insurable earnings from the most recent pay cheque by the number of weeks worked in the previous 52, dividing the result by 52 and taking two-thirds of the result.

Simple, right?

And then a significant proportion of UI claimants would have to go to another office to apply for welfare.

The proposal for the treatment of pension income for UI purposes will also impose additional administrative burdens on both employers and employees, as we discuss in the section on older workers in this chapter.

Work Incentives

One of the persistent refrains in the argument for annualization has to do with incentives to work.

But the proposed annualized benefit system has built-in incentive problems of its own. By reducing benefits below social assistance levels for a substantial number of claimants, it will force significant numbers of the working poor onto welfare out of economic necessity. Statistics show that employable men and women who are receiving social assistance are far less likely to be re-employed within two years of becoming unemployed than people receiving unemployment insurance benefits.

Futhermore, by making weekly unemployment insurance benefits very small for many of the unemployed, benefit reduction raises the possibility that job search requirements may become meaningless, both to the individual and to UI administration. Claimants are unlikely to bother to fulfil job search requirements in order to retain a $25-a-week benefit when they have to rely on social assistance anyway and when it can easily cost $25 a week to maintain a job search in many parts of Canada. And it would make no sense for UI administrators to devote much energy to job search enforcement for claimants who are only receiving $25 per week.

By converting UI from a program for all employees in Canada into a program which is adequate only for those with the least risk of unemployment, benefit reduction would undermine the important role that UI plays in encouraging work and building labour force attachment.

One specific incentive issue that emerged in the hearings had to do with work while on a UI claim. Under present rules, accepting a short-term full-time job can easily result in a claimant being worse off than if he or she had not worked at all.

For example, a claimant who accepts full-time employment and is subsequently laid off will be classified as a repeat claimant unless he or she has had the foresight to freeze the original claim before taking the new job. A claimant who qualified for UI with 12 weeks of work and then took a 6-week job would not be eligible at a second application.

The Forget proposal for a ⅔ tax-back of earnings while on claim, up to the total amount of UI benefits, would actually weaken the incentive to undertake part-time work while on claim. At present, a claimant is allowed to earn 25% of his or her benefit without penalty. Under the Forget proposal, a claimant would have to earn 75% of the weekly benefit to be left with as much as 25% of benefit as net earnings.

The proposal would also be an administrative mess. With the present 25% allowance, earnings can vary within that amount without affecting benefits. With the ⅓ rule, benefits would change every time earnings change.

And by allowing claimants to continue to collect UI as a supplement to earnings, the Forget proposal could result in UI paying benefits to employees who are virtually fully employed. Although the proposal asserts that benefits would stop when a claimant became fully employed, no details are given as to how this would be done, and it is difficult to see how the distinction required could be made fairly and without an extreme administrative burden.

Part-Time Work: A Half Measure

Perhaps the most significant change in the nature of employment in Canada in the past 15 years has been the explosion in the number of part-time jobs.

The Forget report recommends some liberalization of the rules affecting part-time workers, reducing the minimum requirement from 15 to 8 hours per week.

But the recommendation leaves untouched one major problem. It is common practice in the banking and retail industries to employ part-time workers for just under 15 hours per week to avoid the UI lower limit.

Because the Forget proposal does not require the payment of premiums in weeks in which an employee worked less than eight hours, employers will have a strong incentive simply to move the threshold down. Part-time workers will suffer.

In addition, the proposal has nothing to offer multiple job holders who work less than the eight-hour limit but whose total hours exceed the limit.

The Treatment of Older Workers, Severance Pay, Pensions and the Cumulative Employment Account

One of the justifications in the Forget report for its extremely harsh treatment of the high-risk unemployed is an expressed desire to provide additional assistance to older workers. It is the report's one gesture of sensitivity to the needs of any group of the unemployed.

But even here, the report's basic punitive purpose and its lack of even a rudimentary understanding of either the basis of social insurance or the real needs of the unemployed win out.

In its treatment of older workers, the Commission is talking out of both sides of its mouth. In recommending the creation of a Cumulative Employment Account, it claims to be recognizing the special adjustment needs of older workers.

But its recommendations on the treatment of pension income attack directly the only adjustment assistance that is presently available to older workers.

The decision on severance pay is particularly revealing. By recommending that a UI claim be delayed until severance pay is exhausted, the proposal forces workers to exhaust their own adjustment resources before they are eligible to take advantage of the universal public plan. While it is better than the government's revised regulations which effectively expropriate severance pay for the use of the unemployment insurance system, the proposal is inconsistent with the idea of unemployment insurance as insurance rather than welfare.

Severance pay is not income. It is compensation to a worker for the loss of an *asset*, his or her employment rights.

The whole idea of social insurance is that it should not require claimants to divest themselves of their assets before becoming eligible for benefits. Yet that is exactly what the proposal requires with respect to severance payments.

There is also an arrogance about the proposal's treatment of severance pay which we find offensive. The severance pay and Cumulative Employment Account recommendations, taken together, are essentially saying to employers and governments that provide for severance pay, "In our infinite wisdom, we have decided that our approach to adjustment for older workers is better than yours, so we are going to expropriate yours and substitute ours."

There are few enough resources available in our society to assist the adjustment of older workers. The approach taken in the proposal is narrow, contradictory and punitive.

Older workers who have been laid off have special needs. UI and ancillary labour adjustment programs can play an important role, provided they are flexible enough to be of real help. But it is crazy to use UI regulations to override special severance benefits whether provided unilaterally by employers, through labour-management negotiations or through provincial employment standards legislation.

The recommendation on pensions is a modern classic. Rather than think clearly about the conceptual difference between pension income (which is deferred from previous employment) and earnings from current employment, the Forget report ties itself in knots trying to come up with a formula that appears to be different from the government's controversial proposal but does the same thing.

The recommendation is to continue the government's notorious January 1986 policy with respect to pension income. The only change is that UI premiums paid during subsequent employment would be adjusted to take into account the fact that pension income will wipe out a portion of any future benefits. The proposal resolves nothing and will satisfy no one.

In addition, it is difficult to imagine how employers are going to be able to cope with premium rates based on their employees' pension income from previous employment as well as on their current earnings.

The proposal on pensions says a lot about both process and substance in the Commission's work. The Commission heard from literally hundreds of people affected by the changes in treatment of pensions which took effect in January 1986. It was by far the most significant single issue of concern to the public presented at the hearings.

Those opposed to the changes covered an extremely wide spectrum of the population, from retired police officers and military personnel complaining about their effective disqualification from unemployment insurance once they retired, to unions and employers who found carefully formulated early retirement proposals frustrated by changes that changed significantly the economic situation faced by early retirees.

The Forget report essentially tells all of these Canadians to take a hike. By treating pension income as earnings, albeit with reduced premiums during subsequent employment, it confirms the present policy of the government in the face of very widespread public opposition.

The proposal on pensions reveals three important things about the Forget report and the process through which it arrived at its recommendations. Through its conceptual failure to understand that pensions are deferred earnings which have nothing to do with current employment, it illustrates the superficiality of much of the thinking behind the report. Through its calculated harshness towards unemployed older workers attempting to adjust to layoff, it reveals the fundamentally nasty underside of the glib jargon of social engineering that dominates the text. And through its recommendations that contrast directly with what was said to the Commission in the hearings, it demonstrates its total contempt for the public hearing process and for those who took the trouble to appear before the Commission.

The Cumulative Employment Account sounds like a great idea. The one new proposal for older workers in the report, it would allow long-service workers to accumulate additional UI benefits over their working lifetimes. But what does providing extended benefits to workers who have been continuously employed for at least 10 years have to do with unemployment insurance? What happened to the so-called "insurance principles" that supposedly guided the report's main proposal? What is the justification for denying these extended benefits to the very workers – the irregularly employed – who have the greatest need for special adjustment assistance?

A closer look at the Cumulative Employment Account (CEA) proposal reveals other problems.

In order to qualify, an employee would have to work for 26 full years (defined as 2,080 hours) out of a total of 30 years. More than 4 years in which an employee is out of the labour force for any reason and/or in which he or she worked less than a full-time year, and the employee could never qualify for maximum CEA benefits.

Given the frequency of lengthy layoffs in industrial employment in Canada, this requirement would likely make most industrial workers ineligible for full benefits, especially when it is considered that time spent in training programs would likely count as time outside the labour force under the definitions used in the report.

Furthermore, the "out of the labour force" limit would effectively prevent any woman who leaves the labour force to bear and care for preschool-aged children from receiving full benefits. The last thing our society needs is more programs with a built-in systemic discrimination against women.

And what do the lucky workers who qualify for the CEA benefits get? Not very much. Benefits would only be usable to top up UI benefits or to extend a UI claim to undertake training. It would not be available for transition to retirement or to encourage mobility.

Restrictions on eligibility and the use of the funds make the idea virtually useless – a catchy name looking for a program.

Even if the CEA were not limited by the restrictions imposed in the Forget recommendation, the whole idea suffers from conceptual problems. Granted that older workers face special adjustment problems, we question why the older workers receiving special assistance should be limited to those who have been fortunate enough to be fully employed for most of their working lifetimes.

One of the lessons from other federal programs dealing with older workers is that older workers defy categorization. Some need very little adjustment assistance. Others need a great deal of individual attention. In our view it is foolish to attempt to deal with such a wide variety of situations with a program, however limited, that does nothing but throw a limited amount of money at people. The problems have to be taken much more seriously than that.

An Inadequate Report

The Forget report is a profoundly disturbing document. It is full of misleading and flatly incorrect assertions. It makes no serious attempt either to understand the significance of UI to Canadians or to reflect their views in its recommendations.

Much of its reasoning is based either on mythology about UI that even a cursory look at the data would show to be untrue or on assumptions about human behaviour and motivation that are simply silly.

Questions which are fundamental to the debate over UI were not even asked, let alone answered.

The Forget report recommends dramatic cuts to the program but makes only the most cursory investigation of the impacts of its recommendations on people.

Not content with the devastation it contemplates for the core UI program, it flirts constantly with ideas and programs on the periphery of its mandate. It wanders into provincial jurisdiction over education and social assistance, offering vague advice on general policy directions.

On the eve of the production of the next-to-last draft of the report, a proposal for an income supplementation plan for the working poor was invented and put into the report. The idea had never even been discussed at the Commission. When it became clear that the dollar amounts being proposed were so low that the result would be embarrassing, the figures were removed, and the recommendation downgraded to a suggested direction for future action. It does not deserve to be taken seriously by anyone.

The report also serves as a home for crackpot ideas. A strong recommendation for the "share economy" appeared out of the blue in a draft of the report, and endures in the final Forget report despite the fact that it had never been discussed previously at the Commission, had not been raised at all at the public hearings and was not subjected to evaluation in any of the Commission's research studies. The fact that the idea would dismantle the system of wage determination used in most of the Western world and has been heavily criticized from one end of the political spectrum to the other did not even warrant further investigation.

The arguments presented for the main proposal for benefit annualization are deliberately misleading. Figures are presented comparing the present system with annualization. The figures for the present system conveniently leave regionally extended benefits out and thus understate significantly all of the impacts. Yet the examples used to illustrate annualization in the text all involve hypothetical cases that are only possible with regionally extended benefits.

The report is illogical. It introduces its main proposal by citing concerns raised in the hearings about recent changes in the UI program, in Chapter 7.

> The immumerable modifications to the program over the years were viewed as political compromises which had distorted the objectives of the program and undermined its principles.

The report then proceeds to recommend the decimation of the program.

Nowhere is the report more a prisoner of its own logic than in dealing with experience rating of premiums. It gives a ringing defence of the broadest possible pooling of risk.

> Canada has traditionally favoured an extensive pooling of risks, including interruptions of employment earnings as well as job loss, and this tradition should be maintained. The pooling of these various risks should not be diluted by experience rating of contributions.

Fine words, but what do they mean, in a report that recommends that the highest-risk workers be effectively cut out of the UI program.

And the hypocrisy of opposing experience rating of employer premiums while imposing an extreme form of experience rating of benefits – curtailing benefits of anyone with any "experience" of unemployment – is stunning.

The Commission of Inquiry process has been totally inadequate. No serious attempt was made to achieve an accommodation between the interests of management and labour over what is, after all, a workers' program.

The failure of the Commission process to produce a consensus leaves the decision as to the future of UI in the hands of Canadians, through their elected representatives, where it should be. We are disappointed that we, as a group, were not able to provide more assistance in showing where the common ground lies. It is our hope that the critique of the Forget report in this chapter of our report, together with the recommendations in Supplementary Chapters 3–7 following, will be of help in that process of decision-making.

Notes

1 Benefit and claimant figures on the impact of annualization were calculated using the Commission of Inquiry's simulation model of the unemployment insurance program. The figures are based on 1984 claimant data adjusted to reflect 1985 employment patterns.

2 Social Planning Council of Metropolitan Toronto, *Social Infopac*, 1984.

3 Ibid.

4 The breakdown is as follows: food, 18.3%; shelter, 18.9%; household operations, 4.8%; transportation, 8.8% (estimate: vehicle operating expenses only); health care, 2.3%; taxes, 13.9%; security, 2.7%; education, 0.7%; for a total of 70.4%. Excluded are all capital expenditures, all personal hygiene items, etc.

Chapter 3: An Alternative Proposal – Meeting the Needs of People

If It Ain't Broke, Don't Fix It

The Unemployment Insurance (UI) program is vital to all Canadian workers. For those who suffer unemployment, it is an essential source of income. For those who are not unemployed, it represents security. In the continuing recession of the 1980s, the program has proved its worth. At the peak of the recession, the program was serving more than 3 million Canadians a year. Even now, with the so-called recovery well under way, more than 2.5 million Canadians have had to rely on UI. The basic message in the hearings of the Commission of Inquiry, and the basic message of our alternative proposal, is that UI is doing its job. The system is fundamentally sound and needs only to be improved and strengthened to allow it to serve its fundamental purpose in a less complicated and more equitable fashion.

Unemployment insurance is, and we suspect always will be, a vulnerable program. It will be vulnerable politically because, alone amongst our social insurance programs, it provides a benefit to a disadvantaged group of working people as a matter of right. Those who believe that the disadvantaged do not, and should not, have rights will always be uncomfortable with UI.

UI is also vulnerable to the schemes of the social engineers – people who think they have a better idea, or that there ought to be a better idea. Unemployment is so widespread, and the unemployment insurance program so large that the program tinkerers, with their reams of statistics, elaborate theories, hopelessly unrealistic assumptions about human behaviour and motivation and their shameful ignorance about how ordinary working people in Canada live, have a field day.

Unemployment insurance as a program is such that there will always be powerful forces criticizing the program and pressing for substantial cutbacks. The important task of exercises such as the Commission of Inquiry should be to look at those forces in context, to give those with softer voices in our society a chance to be heard, and to find a balance within that context.

The majority of the Commission, instead, heard only the louder voices, and recommended the most massive benefit cuts in the history of the program. And in the process, they succumbed to the temptation to recommend change for the sake of change. They gave the social engineers free reign and created a monster.

A careful look at the context of UI change in the past 15 years shows clearly that the louder voices have been heard, time and time again. The program has been cut repeatedly since it was modernized in 1971. We have taken the Commission exercise as an opportunity to reflect on the cutbacks and changes that have taken place; to deal with some of the problems that those cutbacks created; to redress the balance where the cutbacks have gone too far; and to consider reforms in the light of the changes that have taken place in the economy since the late 1960s.

Our points of departure from the other Commission report are fundamental.

1 We do not believe that cuts in program are warranted.
2 We cannot support massive cuts in benefits for those workers who are most in need of the economic security that UI can provide – those who are not able to maintain full-time, full-year employment.
3 We believe that the proposal to eliminate regionally extended benefits is an economic disaster in the making for Atlantic Canada, large parts of Quebec and rural and northern areas in the rest of Canada. We also believe that the proposal is inconsistent with the regional bargain on which our country is based.
4 We believe that it is a serious mistake to eliminate the link between UI funding and benefits and the rate of unemployment.

UI Program Fundamentally Sound

The Unemployment Insurance program underwent major reform in 1971. It was a major step forward. Benefits were substantially increased and related to actual weekly earnings. The basic benefit rate was increased to 66⅔% of previous earnings and a wider range of benefits was created. Interruption of earnings from layoff, sickness and pregnancy were now insured.

For us, an important feature of 1971 UI reform was the linking of benefit duration and government financing to labour market conditions as measured by the offical unemployment rate. Government financing of benefits was triggered when the unemployment rate exceeded 4%. It acknowledged for the first time that unemployment above this level was beyond the control of the individual employers or employees, and that government should logically finance expenditures attributed to it.

The 1971 program included other important advances:

- comprehensive coverage. Eligibility in 1971 was extended to most Canadians who worked in an employee-employer relationship; about 90% of the paid labour force compared to 80% under the previous legislation;
- a basic benefit rate of 66⅔% of weekly insurable earnings;
- benefits for unemployed workers resulting from pregnancy or sickness;
- coverage of workers over 65;
- government financing of benefits related to labour market conditions as measured by the unemployment rate;
- a shorter entrance requirement. The entrance requirement in the 1971 program was 8 weeks of insurable employment to qualify for regular benefits, and 20 weeks to qualify for sickness, maternity and retirement benefits. Prior to 1971, the entrance rule was 30 weeks of insurable employment in the previous two years;
- adequate benefit entitlement. In 1971 the maximum benefit entitlement was 58 weeks, based on a four-stage benefit structure;
- automatic indexation of maximum weekly insurable earnings (MWIE), based on an eight-year moving average of wages and salaries.

Over a 10-year period from 1976 to 1986, the 1971 program was weakened by yearly statutory changes to the program. The level and duration of benefits were reduced, and the eligibility criteria tightened. The financing arrangements were also changed several times, to reduce the impact on government funding obligations as unemployment increased.

In assessing UI in the mid-1980s, we are convinced that the fundamental characteristics of the program established in 1971 are still appropriate today (see Supplementary Appendix B for description of program in 1986). The unemployment crisis of the last several years has served to reinforce the critical importance of a program that replaces earnings as a matter of right during periods of unemployment. Given the magnitude of Canada's unemployment in recent years, UI has amply proven its worth. Not only have millions of Canadians each year received the essential income protection that UI is designed to provide, but UI has protected whole communities from economic devastation.

We know that the capacity of the program to replace earnings has been weakened since 1971 with the lengthening of the entrance requirement and the lowering of the benefit rate.

We also know that these reductions of benefits to the jobless have made the program extremely complicated. Features such as the variable entrance requirement, different entrance requirements for different types of benefits and different classes of claimants, the treatment of separation payment and pension income as earnings, have complicated the program for workers, the jobless, employers and program administrators. The increasing complexity of the UI program and the fact that the rights and obligations of claimants are not always fully explained have, in turn, created their own problems. The principle that benefits will be paid as a matter of right has been undermined. It has generated a massive backlog of appeals, creating delays of as much as a year in getting appeals heard by an umpire.

Aside from strengthening the basic features of the 1971 program, the improvements we will be recommending result from changes to the composition of the labour force. For example, growing numbers of Canadians work part-time. Current rules governing minimum weekly hours and earnings exclude many part-time workers from UI coverage.

The number of single parents is growing. And families in which both parents are engaged in paid employment are much more common than they were in 1971. UI does not currently provide adequate protection for income lost due to child-bearing and the care of infants.

UI Basics

In considering changes to the employment insurance system, it is important to keep in mind the principles upon which UI is based.

First, UI is social insurance. Its objective is to pool the risk of weekly earnings' loss as broadly as possible among employed persons. Because the risk of unemployment is universal, UI coverage should be universal. High-risk and low-risk potential beneficiaries should be treated the same way.

Second, benefits should be related to earnings to limit the potential drop in the individual's standard of living, and defined over a time period which is relevant to the earnings period for most Canadians.

The weekly earnings basis for UI is not an accident. It is linked to the time period over which most Canadians budget for their day-to-day living costs.

Third, the duration of benefits should be linked both to labour force attachment and to general economic conditions. Tieing benefit duration to labour force attachment ensures that, other things being equal, the program will offer greater benefits to those who have the strongest work history.

At the same time, linking the maximum benefit period to unemployment rates recognizes the obvious: that it is more difficult (takes longer) to find a job when general economic conditions are bad than it does during periods of relatively full employment.

Fourth, unemployment insurance benefits are an entitlement, available to any unemployed person who qualifies, as a matter of right.

This view of unemployment insurance, as a social right, should guide all aspects of the program, from program design to legislation and regulations to the relationship between the program's administrators and its clients.

The inability or refusal to understand where UI fits the Canadian income security and social services network is central to the debate over what UI should accomplish for individuals and for society generally. There is a stubborn refusal to distinguish between:

1 social insurance programs, such as UI, the Canada Pension Plan and Workers' Compensation which are designed to replace earnings in the event of contingencies such as unemployment, retirement and industrial accident; and

2 minimum income programs such as social assistance, the Guaranteed Income Supplement, and a guaranteed annual income which are designed to protect people against absolute deprivation.

These types of programs differ in several important respects. Social insurance replaces earnings. Benefits are typically paid as a matter of right in response to certain contingent events or risks. Programs such as Unemployment Insurance and the Canada Pension Plan are designed for people who rely on income from employment. The programs are not designed to redistribute income from people with high incomes and earnings to people with low incomes and earnings.

By contrast, social assistance programs are designed to provide minimum incomes. They are designed to serve specific groups who are "in need." The receipt of benefits is typically contingent on passing an income, means or needs test. And the redistribution of income from people with low incomes and earnings is commonly an objective of such programs.

The refusal to keep the distinction between these two types of programs firmly in mind has led to inappropriate policy prescriptions.

The inequities of the current UI system do not arise because unemployment insurance beneficiaries are particularly well off as individuals. Inequities in benefits arise because many of the poorest Canadian families are poor precisely because they are too old, infirm or burdened with child-care responsibilities to participate in the labour force enough to claim UI benefits.

The UI program is designed to replace part of weekly wages or salaries in the event of unemployment. It is not designed to provide all Canadians with a minimum level of income; nor is UI designed to redistribute incomes from rich to poor.

The failure to distinguish clearly between social insurance and minimum income programs in the analysis of UI is reflected in proposed reforms to UI. As the program now stands, the only significant income-related element in UI is the special 30% surtax on UI benefits paid by individuals whose annual income is above $38,000.

Many recent proposals for change in UI fail to recognize that social insurance and minimum income programs are designed to serve different purposes. They cannot be traded off, one for the other, without sacrificing important objectives. The UI program serves an absolutely vital purpose for unemployed workers that cannot be traded off for social assistance or similar guaranteed income proposals. This does not deny the need for a guaranteed annual income. It simply says that the objective of a guaranteed annual income or improved social assistance program cannot be achieved at the expense of UI or other earnings-related programs.

Chapter 4: Our Proposals for Reform

Our Objectives

In establishing our objectives for reform of the unemployment insurance system, we were guided by three dominant considerations.

First, proposals for reform should reflect the problems with the unemployment insurance system as they are expressed by the people who deal with the program every day, as employers and as employees. Our primary concern must be the people the program is intended to serve.

Second, reform proposals must respect the important role that UI plays in the Canadian economy. UI is by no means a peripheral program in any part of Canada. In Atlantic Canada and parts of Quebec in particular, it is an essential part of the Canadian regional development bargain.

Third, the work of this Commission should not be seen in isolation. This Inquiry is not unique. It is simply the latest in a very long line of investigations of UI. It therefore would make no sense to make recommendations here that ignore the debates, decisions, advances, retrenchments and compromises that have come before.

In particular, we feel strongly that the calls for substantial cuts in the unemployment insurance program must be seen in the context of more than a decade of cutbacks and retrenchment from the reforms that were made in 1971. If our alternative report reveals a lack of patience with those who advocate massive cuts, that lack of patience flows from the clear evidence in the changes of the 1970s and early 1980s that the cutters and retrenchers have had their day. It is time now to refocus the program on its basic purposes and on the needs of the people it is supposed to serve.

In the discussion and recommendations that follow, our goal is to meet the following objectives:

1 make the system more responsive to the real needs of the unemployed;
2 make the program more responsive to economic conditions;
3 simplify the program;
4 eliminate restrictions and rules that are plainly irrational;
5 modernize parental benefits;
6 enhance flexibility and accountability in program administration, by establishing a clear legislative base; administrative flexibility to deal with day-to-day problems; a decisive role for employers and employees in the administration of the program; and commitment to refrain from constant, politically motivated changes;
7 structure financing to reflect employer-employee partnership and the public policy responsibility for general economic conditions; and
8 establish complementary programs and coordinate them effectively with UI to meet needs that cannot be met through unemployment insurance.

In considering the role and objectives for UI it is important to bear in mind the people the program is supposed to serve. For many people, especially the poor who are used to struggling to provide for their families, unemployment insurance can mean the difference between hopeful expectation and a feeling of utter failure.

A fair and realistic unemployment insurance program can keep the door open to full participation in Canadian society. The combination of financial aid and complementary programs such as training and mobility assistance, programs for youth, older worker adjustment assistance, childcare programs and labour standards are needed to assist the worker to re-enter the work force.

The role of Unemployment Insurance is central to our sense of Canada as a community. We believe an important objective of Canadian confederation is to promote national economic, social and cultural development, and the general welfare and equality of opportunity for all Canadians in whatever region they may live, including the opportunity for gainful work, for just conditions of employment, for an adequate standard of living, for security, for education, and for rest and leisure.

One of the characteristics of a modern industrialized country is the concern of the community as a whole for the security and well-being of the individual and the family. A strong UI program is central to that sense of decency and community.

The Core UI Program

In assessing UI in the mid-1980s it is clear that the structure of the program is sound. The unemployment crisis of the last several years has reinforced this view. Given the magnitude of Canada's unemployment in recent years, the program has amply proved its value in facilitating labour market adjustment. Not only have 3 million Canadians per year received the essential income protection that UI is designed to provide, but it has protected whole communities from economic devastation.

While Unemployment Insurance protection has been reduced since 1971, through changes such as the lengthening of the entrance requirement from a uniform eight weeks and the lowering of the weekly benefit rate from 66⅔% to 60%, the program structure has not been fundamentally altered.

What is needed now is to simplify the program and to re-establish balances that were disrupted by the repeated cuts in benefits imposed during the 1970s.

A Uniform 10-Week Entrance

The profusion of entrance requirements in the current program is a major contribution to program complexity. There is a 20-week entrance requirement for "new entrants"; a special sliding entrance requirement for "repeaters"; a "regular" variable entrance requirement of 10–14 weeks depending on the rate of unemployment in the CEIC region where a claim is filed; and a special 20-week entrance requirement for sickness or maternity benefits.

The distinction between entrance requirement for sickness and maternity benefits on the one hand and regular benefits on the other is a specious distinction in principle. In the case of maternity benefits, the distinction is blatantly discriminatory against women. This point was noted in ***Equality for All*** (pp. 13–14), the report of the Parliamentary Committee on equality of rights (Boyer Committee).

Recommendation

S1.1 We therefore recommend that the entrance requirement for sickness and maternity benefits be brought into line with those for other benefits;

S1.2 we further recommend that the current distinctions in entrance requirements based on regional rates of unemployment and class of claimant be ended. The uniform entrance requirement should be 10 weeks for all classes of claimants.

The return to a uniform entrance requirement may not be as dramatic a change for the recipients of regular benefits as might appear to be the case. As of October 1986, only 14 out of 48 UI economic regions had entrance requirements of more than 10 weeks and only 3 had the maximum entrance requirement of 14 weeks.

Our proposal would simplify the program and eliminate arbitrary and unjustifiable destructions among classes of claimants in the present system.

A Simplified Benefit Period

At present, the benefit period is determined as shown in Figure S4.1. In addition to the maximum for each phase, there is an overall maximum benefit period of 50 weeks.

Our basic objectives for reform with respect to the benefit period were to simplify program rules while preserving a relationship between benefit entitlement and labour force attachment for workers in regions of high unemployment.

The distinction between the two labour force attachment phases in the program cannot, in our view, be justified. Why should one week of work after 26 weeks of employment have half the value in benefit entitlement earned of a week worked up to 26 weeks? There is no obvious answer.

We therefore recommend that phases one and two be collapsed into a single labour force attachment benefit at one week for each week worked, to a maximum of 39 weeks.

Figure S4.1
Current Benefit Periods

Benefit phase	Formula	Maximum benefit entitlement
Initial	One week for each week worked in the 52-week reference period up to 25 weeks	25 weeks
Labour force extended	One week for each 2 weeks worked in the 52-week reference period in excess of 26 weeks	13 weeks
Regionally extended	Two weeks for each 0.5 percentage points that the regional unemployment rate exceeds 4%	32 weeks

In part, this change would recognize changes in the nature of unemployment in Canada that have seen the average duration of unemployment rise from 13 weeks in the mid 1970s to 26 weeks in the mid 1980s.

As we have indicated repeatedly, we support strongly the current program's link between unemployment rates and benefit entitlements in the regionally extended benefits.

Recommendation

S2 We recommend that the current regional extended benefit formula be retained, but that administrative distinctions between the two "phases" be eliminated. In addition, we recommend that the extended benefit be called the labour market extended benefit to make its link to labour market conditions, as measured by the rate of unemployment, clear.

With a maximum of 39 weeks and 32 weeks for labour force attachment and labour market extended benefits respectively, we find it difficult to justify the imposition of the additional overall maximum benefit period of 50 weeks. The effect of this maximum is to deny labour force attachment benefits to workers who live in areas of high unemployment.

Recommendation

S3 We recommend that the current overall maximum benefit period of 50 weeks be eliminated, creating an effective maximum of 71 weeks.

Since this change would affect only workers in high unemployment areas who qualify for UI with more than 20 weeks of work and who exhaust their claims, the cost would be relatively small.

Waiting Period

The two-week waiting period in the present UI program is an unnecessary source of hardship for the unemployed.

When combined with delays in administration that result in cheques arriving weeks late, the effect is often to force many families onto welfare while they wait for UI cheques to arrive. A UI program that forces people to claim welfare before their benefits start simply isn't doing the job.

Lengthy waiting periods for sickness and maternity benefits cannot be justified, even on the logic of the two-week waiting period for regular benefits. Our preference would have been to eliminate the waiting period entirely. The only justification for it is the preposterous "floodgates" argument, that claims would go up dramatically as people who could get a job right away chose to go onto UI instead.

However, we acknowledge that the elimination of the waiting period would arouse significant opposition and create problems for the integration of UI sickness benefits and private sickness and accident plans.

Recommendation

S4.1 We recommend a two-week waiting period for regular benefits;

S4.2 a one-week waiting period for sickness benefits;

S4.3 elimination of the waiting period entirely for maternity and parental benefits;

S4.4 a guarantee of benefits payment within a week of application; and

S4.5 payment of UI benefits to start at the end of the first benefit week, and every two weeks thereafter.

A New Formula for the Insurable Maximum

The present insurable maximum provides inadequate coverage for many working people. It should be increased, so that it covers a greater percentage of the total earnings of UI claimants. Unemployment is much more widespread now than it was in 1971. The income coverage of the program should be broadened to reflect that fact. In addition, program finances would benefit from a broadening of the income pool being insured.

Recommendation

S5 We recommend that each year's insurable maximum be established at 125% of the eight-year moving average earnings.

This system is used to establish the maximum income covered by Workers' Compensation in some provinces. It would ensure that the income covered by UI is adequate when measured against the incomes of those who are actually unemployed.

Application of this formula in 1986 would produce an insurable maximum approximately 25% higher than the present level.

A 66 ⅔% Benefit Rate

UI benefits now amount to only 60% of average insurable earnings. This means that at least 40% of a person's earned income will be lost when she or he moves from employment to UI. Moreover, the two-week waiting period drops the actual replacement rate below 60%. For workers whose earnings are above the maximum weekly insurable earnings, the replacement rate is still lower. Finally, UI claimants must conduct an active job search, fulfil reporting requirements, and accept suitable job offers, with "suitable" defined according to a scale of wage and salary rates which decreases during the claim period.

UI benefits are low by comparison with earnings prior to unemployment. The actual level of benefits paid is also low in an absolute sense. Workers whose insurable earnings equal the maximum weekly insurable earnings, currently $495 per week, have earnings that are roughly equivalent to the average weekly wage and salary, for a maximum UI benefit of $297 per week. The average UI benefit paid in 1985 was only $190 per week. To put this average UI benefit payable in perspective, it is substantially less than the average monthly rent payable in Canada in 1985, $370 per month.

The notion that UI is sustaining lifestyles that are opulent is without foundation. While Unemployment Insurance is not designed to eliminate poverty, it is striking that the average UI benefit received in a full year of benefits is less than the Statistics Canada poverty line for single persons in all but the smallest Canadian cities.

The original UI Act of 1971 included a dual benefit rate: a 75% rate for claimants with dependants, and a 66⅔% rate for others. In 1976, this dual rate was replaced by a 66⅔% rate for all claimants. In 1979, it was dropped from 66⅔% to 60%.

The dual rate reflected an implicit needs test that has no place in an earnings-related program and would properly be criticized as discrimination on the basis of family status. It is appropriate that there should be a uniform benefit rate for all claimants. The uniform rate accurately reflects the fact that the employment relationship exists between ***individual*** workers and their employers, and that it is ***individual*** workers who have their earnings interrupted by unemployment.

In our view, the cut in benefits from 66⅔% to 60% in 1979 went too far. At 66⅔%, we are already asking workers to self-insure for a minimum of 35% of their employment income, taking into account the waiting period. The present 60% benefit rate requires a minimum of 42% self-insurance. That is too much.

Recommendation

S6 We recommend that the benefit rate be increased to 66⅔%.

Pensions, Severance and Vacation Pay

The decisions of the government to allocate severance and vacation pay against UI benefits, effective in March 1985 and to allocate pension income against UI benefits effective in January 1986, generated more controversy, more personal appearances and more letters than any other single issue considered by the Commission of Inquiry.

And so it should have. Counting such payments against UI benefits is illogical; it is unfair; and it is bad public policy. It is clear beyond any doubt that the sole reason for the change was the enticing prospect to the Minister of Finance of being able to extract $100 million from the pockets of the unemployed in a way in which, he believed, would cause little public fuss. Little did he know.

The issue should never have come up in the first place. The policy that was changed had only been in effect since September 1982, and had been brought in at that time with the support of both employers and employees to simplify the administration of the section of the Act defining "earnings."

The Commissioner for Employers, Mr. W.E. McBride, explained the basis for the change succintly in his September 1982 memo to all employers.

> The present regulations have caused considerable difficulty and excessive costs for employers, claimants and the Commission. Examples of the problems created are:
>
> • Difficulties for employers in completing the Record of Employment;
>
> • Errors committed in completing Records of Employment create overpayments and underpayments to claimants amounting to hundreds of millions of dollars, as confirmed by the Auditor General;
>
> • Excessive administrative costs for employers due to time required to complete Records of Employment, subsequent verification due to follow-up as a result of errors; and
>
> • Increasing problems due to varying interpretations of such termination payments.
>
> For these and other reasons, the Commission has approved amendments to the regulations. The changes will become effective September 5th, 1982 at which time most payments, when paid or payable on or after a lay-off or separation from employment, will no longer be considered insurable earnings for Unemployment Insurance purposes.

Less than three years later, the consensus has been overridden, thereby adding to the confusion and difficulty which were to have been remedied by the September 5, 1982 regulation.

This new regulation is particularly unfair to long-service workers. On layoff, they may be entitled to substantial severance benefits, and plan to use these benefits to finance retraining, adjustment, or relocation. Now, however, they are forced to use their severance pay to meet day-to-day living expenses.

It is totally illogical to count pension income and severance and vacation pay as income to be allocated against UI benefits. The purpose of such an allocation is to deal with *earnings* while on claim, to ensure that UI benefits are paid to people who are unemployed and looking for work and not to people who are working.

Pensions, severance pay and vacation pay have one thing in common. They were all earned *prior to* separation from employment. Pension income is a payment from a fund that was generated for an employee while he or she was employed. Vacation pay is an entitlement that is earned while employed and banked either in a "time off with pay" bank or in some cases in a vacation pay trust fund. Severance is a compensation to long-service employees for their lost employment rights. It is earned while employed and paid out on termination to finance the special adjustment problems that older workers face. It is an asset, not income. These earned benefits are caught in the regulation's net because they happen to be paid out on termination of employment.

These payments are not earnings after termination of employment. It is illogical to treat them as if they were.

It is also extremely unfair. Many working people have taken early retirement from jobs in heavy industry, in particular, on the assumption that they could be able to supplement their pension income with lower-paying jobs after retirement, and that they would be eligible for UI when they were unemployed.

Thousands of others in the armed forces and police are required to retire many years before normal retirement dates. These "retirees" are expected to find other employment after "retirement." Counting their pensions as income makes them effectively ineligible for UI.

It is the only form of income not related to current earnings which is allocated against UI benefits. Investment income or income from RRSP's which is indirectly related to employment, prior to termination, is not allocated against UI benefits. It is inequitable to count pension income against benefits, for example, but not RRSP income. It is inequitable to count severance benefits against UI benefits but not the proceeds of RRSP withdrawals or other forms of pre-termination savings.

Pensions are income earned prior to termination and paid out afterwards. Severance and vacation pay are not even incomes. They represent a worker's capital, accumulated while employed.

As public policy, the treatment of pensions, severance and vacation pay is inconsistent and counter-productive.

Early retirement from industrial jobs is officially encouraged by government as a way to facilitate employment adjustment and cushion the community impact of major layoffs. Yet the policy discourages early retirement.

Vacation pay is considered so important that it is required by law in every jurisdiction in Canada. Yet the regulations effectively expropriate the vacation pay of those who become unemployed.

And the unemployed older worker, about whose plight there is a great deal of public hand-wringing by politicians these days, bears the lion's share of the burden from the expropriation of severance payments by UI. There are few enough employers in Canada who are generous enough to provide severance payments to older workers they have been forced to lay off without having those payments in effect taken away by the government through UI. Employers – and governments – who provide for severance benefits should not be penalized for doing so.

Recommendation

S7 We recommend that "earnings" to be allocated against UI benefits be defined as income resulting from work after the termination of employment which gives rise to the claim.

This would exclude from the definition of earnings all pension income as well as severance and vacation pay.

Retirement and UI

Without the "rough justice" of counting income from pensions against UI benefit or the arbitrary age 65 ceiling on eligibility for UI, the determination of "retirement" will have to be made on criteria which are objective and non-discriminatory.

At present, unemployment insurance eligibility ends at age 65, whether or not the individual concerned has left the labour force. A special "retirement" UI benefit of three weeks is available to workers who leave the labour force at age 65.

There are two other bases on which the distinction could be made. One is to rely on the choices made by the individual concerned. An individual could lose UI eligibility if he or she consciously chooses early retirement. The problem with such a criterion is that there is no choice an individual is required to make that would indicate whether or not he or she is actually retired. In the absence of a public "early retirement" program, it is unlikely that an individual choice will be available as a criterion for UI eligibility.

The other way to make the distinction is to rely on what the individual actually does after leaving a job. If the individual continues to be available for work and conducts a bona fide job search, he or she would be considered to be unemployed and in the labour force, and therefore eligible for unemployment insurance.

As long as the program defines clearly and concisely what "available for work" and "job search" mean, this approach would help to ensure that UI does not effectively become the early retirement program which Canada at present lacks.

It is doubtful that the denial of UI benefits to workers over age 65 would survive a court challenge under the Canadian Charter of Rights and Freedoms. Furthermore, growing numbers of people are leaving the labour force permanently before age 65. Age 65 is already losing its "magic" as a determinant of retirement. A successful court challenge would finish it off.

Recommendation

S8.1 We recommend that the special three-week early retirement benefit be eliminated;

S8.2 the present exclusion of coverage from persons over age 65 be eliminated; and

S8.3 UI rules and regulations include a clear and concise definition of "availability for work" and "job search."

This approach would ensure that the protection of UI is available to people who are actively in the labour force on a non-discriminatory basis while protecting the UI fund from use as a substitute for a public policy on retirement.

Parental Benefits

Over the past 30 years Canadian women have entered the paid labour force in increasing numbers. More than 5 million women are now in the paid labour force. This is more than half (53%) of women in Canada over the age of 15. The most rapid increase has been by women in the 25–34-year-old age range, which are prime child-bearing years.

Women enter the paid labour force for precisely the same reason that men do. They want or need income from employment. When that earned income is interrupted due to child-bearing and child-rearing, the consequence is no different than if earnings had been interrupted due to layoff or termination of employment, and neither is the need for earnings-related benefits that are paid as a matter of right.

There can be no question in our view that women who leave the paid labour force to bear children and parents who leave the labour force to care for children in their infancy should be entitled to UI benefits.

These needs have already been recognized in the leave provisions of the Canada Labour Code. The code provisions should be reinforced in the unemployment insurance system.

With 70% of women of child-bearing age currently working outside the home, pregnant women are forced to confront a financial dilemma when their baby is born.

UI replaces only 60% of earnings for 15 weeks and only a handful of employers have plans to top up the difference. While the cost of paid maternity leave for large employers is a very small part of the total wage bill, most resist providing any form of paid maternity leave. The most generous maternity leave programs have been bargained through collective agreements but the majority of these are in the public sector.

Canada Post, which has one of the most generous paid maternity leave plans, admits the plan costs one quarter of 1%. We nevertheless acknowledge that the cost of employer-paid maternity plans could be a significant financial burden for small businesses. For this reason alone legislated employer-paid maternity leave is not a viable option.

The UI system financed by employer-employee premiums is the most effective and equitable way of ensuring paid parental leave for birth and adoption. Canada lags behind European industrial nations in the provision of maternity and parental benefits.

Women in West Germany, for example, can take 6 weeks paid leave before a child is born and six months after birth with the employer making up the short fall for 14 weeks between government benefits and the workers' average wage.

In Sweden, either parent can take nine months at 90% of salary. The plans are paid 75% by the employer and the rest by the government.

We must point out, however, that provincial labour standards would have to be updated and reformed to make parental leave under the UI system effective.

Recommendation

S9.1 We recommend that the maternity benefit period for a natural mother be extended to 17 weeks by dropping the 2-week waiting period; and

S9.2 we further recommend a parental and adoption benefit period of 24 weeks that can be shared as desired between the parents;

S9.3 where a child is hospitalized immediately following birth or otherwise during a maternity benefit period, we recommend that claimants be permitted to freeze their claims, return to work, and reactivate their claim on the release of the child from hospital.

A similar proposal regarding the duration of UI benefits paid when earnings are interrupted due to child-bearing and child-rearing was made by the Boyer Committee.

Recommendations

S10 We recommend that the duration of maternity, parental and sickness benefits not be limited by the establishment of other claims under the UI program, nor be denied under Section 44 of the Act by virtue of a labour dispute.

S11.1 We recommend that parental benefits under UI be reinforced by provisions in all labour codes in Canada that would require: 17 weeks of maternity leave and an additional 24 weeks of parental leave as is now the case under the Canada Labour Code;

S11.2 the accumulation of seniority and benefits during maternity and parental leave; and

S11.3 the right to return to one's former job or its equivalent following maternity or parental leave.

If our proposals were adopted, the basic 66⅔% UI benefit rate would be available if earnings were interrupted due to child-bearing and child-rearing for a significantly extended period of time. In and of themselves, these changes would mark significant progress in accommodating the income security needs of parents in a manner that is perfectly consistent with the purpose of UI.

By the same token, it is important to note that what we are proposing falls short of what is provided in some other industrialized countries and what is "ideal." In principle we would argue that an interruption of earnings due to child-bearing and child-rearing should entail no loss of available income. This would imply maternity benefits of roughly 95% of earnings.

Part-Time Workers

Part-time workers must work for an employer for at least 15 hours a week or must earn at least 20% of the maximum weekly insurable earnings ($99 in 1986) to be insurable under UI. With the increasing number of part-time workers in the Canadian labour force, an increasing portion of the labour force is denied coverage as a result of this criterion.

Using 1981 data, the Commission of Inquiry into Part-time Work found that 40% of part-time workers were excluded from UI coverage because they work less than 15 hours per week for a single employer. By 1984, the comparable figure had increased to 44.2%, or 747,000 out of a part-time work force of 1,689,000. Since 70% of part-time workers are women, it is clear that the burden of this exclusion falls disproportionately on women.

The Boyer Committee also identified the "minimum insurability" criterion as a feature of the plan that needed alteration in light of Section 15 of the Charter.

Since the last major change in the treatment of part-time workers in the unemployment insurance program in 1971, the relative importance of part-time work in the economy has increased dramatically.

It is doubtful whether the limitations on UI coverage for part-time workers were appropriate to the economic conditions of 1971; they certainly are not appropriate in 1986.

There are two main problems with UI coverage of part-time workers. First, in order for an employer to be required to pay premiums and for an employee to be eligible for benefits, eligibility must be established in a single part-time job. An employee who accumulates hours or earnings over the minimum from more than one employer but not from any single employer cannot qualify for unemployment insurance.

Second, a substantial proportion of regular part-time workers have regular part-time hours totalling less than 15 hours per week. For instance many employees in the banking sector work one day a week or as little as 1.5 hours per day.

In our view, there is no justification for excluding workers from UI coverage simply because they happen to work for more than one employer. All hours worked should be taken into account in determining eligibility for unemployment insurance benefits.

This would be helpful in two important respects. First, it would eliminate discrimination against people who work for multiple employers. Second, it would eliminate an incentive in the present program for employers to keep hours and earnings below the 15 hour/20% minimum to avoid having to pay unemployment insurance premiums.

In establishing an appropriate minimum number of hours worked to qualify for unemployment insurance coverage, it is important to strike a balance between broadening the coverage of the program on the one hand and preserving the essence of the program on the other.

At one extreme, first hour and first dollar coverage would bring into the program people whose work attachments are so limited that the concept of "unemployment" becomes meaningless. At the same time, it must be recognized that part-time work accounts for a significantly greater share of total employment in Canada today than it did in 1971. Changes to the program must reflect that reality.

Recommendation

S12.1 We recommend that unemployment insurance premiums be collected for all hours worked from both employees and employers;

S12.2 the requirement for unemployment insurance eligibility be a minimum of six hours per week of regular employment; and

S12.3 employees who fail to establish UI eligibility in any taxation year have their premiums refunded through the income tax system. Employer premiums would not be refunded.

UI and Labour Disputes

Section 44 of the UI Act denies benefits to workers whose earnings are interrupted due to a work stoppage attributable to a labour dispute. The intent of this section of the Act is to ensure that the UI program and CEIC are neutral in labour disputes. We accept this basic principle of neutrality. Over the years, however, the jurisprudence that has developed on this section of the Act, and certain administrative practices of the Commission have allowed benefits to be denied to people to whom this section should not apply.

One of the problems that has arisen in this area is that the concept of involvement in a labour dispute has been extended to cover workers who are not direct participants in the dispute and who have no direct interest in it. For instance, there have been cases over the years where laid-off workers have been denied benefits because they were members of the same union as other employees of the same employer who were then on strike, and strike assistance came from a common strike fund. In this case the laid-off workers were deemed to be parties to the dispute on the grounds that they were financing it through their union dues prior to layoff. In a related vein, if an individual worker decides to participate in a labour dispute (e.g., by refusing to report to work for an employer who is being struck) the whole "grade or class" of workers of which that individual is a member can be denied UI benefits.

These "financing" and "grade or class" rules are inequitable. They stretch Section 44 beyond its original intent and end up biasing the UI program in favour of employers.

Recommendation

S13 We recommend that Section 44 be rewritten to make it clear that the only people who will be denied benefits under this section are people who are direct participants in a stoppage of work or who are covered by a collective agreement that is at issue in the stoppage of work. The definition of a direct participant should not include workers who refuse to cross the picket line of workers who are direct participants in a labour dispute.

The intent of Section 44 is to preclude the payment of benefits to people whose earnings are interrupted because they are participating in a labour dispute. However, it occasionally happens that during the course of a labour dispute, events occur which would give rise to a claim in the absence of the labour dispute. Some of these alternative bases for a claim should be recognized even if a labour dispute is under way. In this regard, three situations are particularly relevant:

1 situations where an employer declares all or part of her or his operations to be wound up during a labour dispute and therefore lays off or terminates the employment of some or all workers at a place of employment;

2 otherwise valid claims arising from childbirth and child-rearing;

3 otherwise valid claims arising from sickness.

In each of these situations it is fair to presume that even if there was no labour dispute, the workers involved would not be returning to work. Therefore the interruption of earnings should not be viewed as the result of the labour dispute itself.

Recommendation

S14 We recommend that sickness, maternity and parental benefits and claims arising from layoffs that would have taken place in the absence of a strike be exempted from the labour disputes rule.

We are also concerned about two aspects of the operative definition of a labour dispute for purposes of the UI program. First of all, the definition of a labour dispute in the Act allows for the denial of benefits in cases where workers have been illegally locked out by their employer. The workers involved have absolutely no control over these situations and illegal lockouts are not part of the legally sanctioned collective bargaining process.

Recommendation

S15 We recommend that Section 44 not deny benefits to workers who are faced with an illegal lockout.

In addition, jurisprudence has established the operative rule that a labour dispute has ended when 85% of the workers employed at the commencement of the dispute have returned to work. This operating rule has no foundation in the Act or regulations.

Recommendation

S16 We recommend that a dispute be deemed to be ended when the parties to a dispute have ratified a memorandum of agreement and/or a collective agreement.

Another problem often arises in protracted strikes, when striking workers who take other jobs are subsequently laid off from these other jobs. The Act places strict requirements on these jobs, requiring that the claimant prove that he or she is "bona fide" employed in the same occupation or "regularly engaged" in another occupation.

The reversal of onus in these subsections of Section 44 of the Act places an unfair burden on the claimant, and is likely contrary to the due process sections of the Charter.

The Act should not be prejudging the motives of workers for seeking employment. If there is fraud involved, the administration of UI has other sections of the Act on which it can proceed and in which it, rightly, has the burden of proof.

Recommendation

S17 We recommend that the special requirements to prove "bona fide employment" or regular engagement in another occupation in order for a worker who is on strike to claim benefits in a layoff from a job not related to the strike be removed from the section dealing with labour disputes.

Work While on Claim and Labour Force Separation

Earnings While on Claim

At present, claimants are allowed to earn up to a maximum of 25% of benefits while on claim without suffering a reduction in benefits. When earnings exceed 25%, benefits are reduced by one dollar for each dollar of additional earnings.

This aspect of UI was raised frequently in hearings, particularly by representatives of employers in the retail sector. There was some support from these groups for the idea of allowing claimants to "top up" their earnings subject to a uniform rate of "tax-back" of benefits as an alternative to setting a fixed earnings maximum based on benefits. The Forget proposal, to pay unemployment insurance benefits at the regular benefit rate (60% in the present system; 66⅔% in our proposal) on the difference between actual earnings and the insurable maximum, is a response to these requests from small business groups.

Although "top-up" proposals appear to be fairly straightforward, a closer examination reveals serious administrative and conceptual problems.

At the administrative level, changing from a flat exemption of earnings while on claim to a "top-up" formula would involve UI administrators in assessing income and adjusting benefits for a much larger number of claimants than at present, since any formula would begin to apply with the first dollar of earnings. In addition, such a system would add significantly to the number of claimants who could qualify for very small benefit payments.

For example, claimants who became re-employed at a rate of pay less than the insurable maximum and less than their previous earnings would be eligible for "top up" even though they were no longer actually unemployed.

This raises the conceptual problem with "top-up" proposals. Such proposals blurr the distinction between "employment" and "unemployment."

As the above example suggests, someone could be working 40 hours per week and still be receiving a UI benefit.

In our view, unemployment insurance should be an unemployment insurance program, not a wage subsidy program. It is intended to alleviate the consequences of unemployment during active job search.

It is not intended to alleviate the consequences of inadequate earnings while employed. It is unemployment insurance, not income supplementation.

Job search is fundamental to the rationale for unemployment insurance. A change in benefit formula to allow payments to claimants who are fully employed, or available for job search only part-time, would be inconsistent with this basic principle.

Blurring the distinction between employment and unemployment would cause some administrative problems as well. As suggested above, it would make the administration of job search requirements difficult, if not impossible. And because it would be possible to be fully employed and receiving UI benefits at the same time, the same individual could be establishing an entitlement for a future claim at the same time as he or she is receiving UI benefits.

Finally, a "top-up" formula could easily have a perverse effect on incentives to work while on claim. Under such proposals, claimants would keep only 33⅓% (with a 66⅔% benefit rate) or 40% (with a 60% benefit rate) of earnings while on claim. Reducing the effective wage rate for earnings while on claim to ⅓ of the nominal amount would make part-time work while on claim extremely unattractive.

For these reasons, we are opposed to fundamental changes in the "work while on claim" rules.

We do believe, however, that some loosening of the restrictions on earnings while on claim would be beneficial.

Short-Term Work While on Claim

The problem with respect to short-term work is somewhat different. A recipient of UI benefits who has an opportunity to work short-term has a choice. He or she can decide to "freeze" the current claim, retaining the option of picking the claim up where he or she left off when the short-term work ends; or he or she can terminate the claim in the hope that the work turns out to last at least long enough to requalify for UI.

Each choice has inherent risks. If the new job does not last long enough to requalify for UI and the claim has been terminated, the individual will not be eligible for UI when the new job ends. The higher entrance requirements for repeat claimants within a single 52-week period make re-establishing eligibility that much more difficult. On the other hand, if a claim is kept active, work on the new job may not count towards increased UI eligibility.

The way the program works, a choice is forced on a claimant at a time when he or she is unable to predict the consequences, a choice which can have the result of denying benefits that would otherwise have been payable had a different choice been made.

Agricultural sector employers in particular complained that the lack of a rational approach to short-term work while on claim was a major problem in recruiting workers to work for defined short-term periods, such as harvesting, planting and processing.

We believe that it should be a basic principle of the administration of all social insurance programs that program rules not require "gambling" choices on the part of potential benefit recipients.

Recommendation

S18 We recommend the following procedure for determining UI eligibility when a claimant is re-employed prior to the termination of a claim:

S18.1 eligibility under the previous claim be increased by one week for each week of insured employment; and

S18.2 eligibility be the greater of the number of weeks remaining on the previous claim, augmented as above, and the number of weeks of benefit to which the individual would be entitled in a *new* claim established through the new insured employment.

This proposal would eliminate the need for claimants to "bet" with the unemployment insurance program on the duration of any new job. They would be given the "benefit of the doubt" in assessing benefit eligibility.

Periods Outside the Labour Force

Under present program rules, a claim is established with reference to the number of weeks a potential recipient has worked during a "reference period," the 52 weeks immediately prior to the date of filing of a claim.

Under certain circumstances, the reference period can be extended to a maximum of 104 weeks to cover periods outside the paid labour force.

These limitations cause a multitude of problems. People who work overseas, for example, often find themselves ineligible for benefits on their return. Overseas development volunteers who work on projects in countries in the Third World often leave jobs in Canada to earn nominal incomes on development projects sponsored by Canadian-based non-government organizations. When they return to Canada, they very often have to find jobs and cannot qualify for UI because they have been out of the country for longer than the reference period.

The same problem is faced by Canadian oil field workers, for example, who go overseas to find employment and lose the UI rights they had previously earned in the process. Individuals who leave the paid labour force for self-employment or to start a new business can similarly find themselves ineligible for UI if the venture fails and they are forced to seek employment.

Employees who go through long strikes face similar problems. An employee who is on strike is not eligible for unemployment insurance benefits unless bona fide employment with a second employer is established. Yet when the strike ends, strikers may have had their UI eligibility reduced because they were not considered to be in the labour force while they were on strike.

Recommendation

S19 We recommend that persons who leave the labour force and wish to retain the option of filing a claim for unemployment insurance upon their return to the labour force be permitted to "freeze" their UI eligibility until their return to the labour force.

Under this proposal, employees would be able to take a "leave of absence" from the labour force for the purpose of UI, retaining their UI eligibility for their return to the labour force.

This process of "freezing" a claim could be made automatic whenever more than two weeks had gone by in which an individual neither paid premiums nor received benefits. Alternatively, the "freezing" process could be established on application.

Farm Workers

In addition to the normal eligibility criteria, farm workers under the current UI program must work at least seven days for the same employer before their employment becomes insurable. The government has sought to justify this discriminatory provision on the basis that it eases the administrative burden on farmers. This rationale cannot justify the imposition of harsher eligibility requirements on farm workers, especially given that they have a particularly strong need for protection in all aspects of their employment, including the unemployment insurance program.

In a letter to the President of the Canadian Labour Congress received in July 1983, the then Minister of Employment and Immigration, the Honourable Lloyd Axworthy, acknowledged that the special eligibility requirement might well be in contravention of Section 15 of the Charter.

Recommendation

S20 We recommend the elimination of the eligibility requirement for farm workers to work at least seven days for the same employer before their employment becomes insurable.

Self-Employment

At its hearings, the Commission heard many submissions calling for UI insurability of earnings which are treated for tax purposes as income from self-employment. Groups of performing and visual artists, for example, argued for "dual status" that would permit them to be considered to be employees for UI purposes and self-employed for tax purposes, as is presently the case for taxi drivers.

The inconsistency in UI's treatment of self-employed individuals should be eliminated. The arguments of those who argued that, regardless of their sources of income, they were effectively employees, were persuasive.

Regulations would have to distinguish between self-employed people who are effectively employees, and those who are operating a business. In addition, criteria would have to be developed which would establish that an individual does, in fact, fall into the employment category concerned and is, in fact, available for work.

Individuals who are considered to be self-employed for tax purposes should be eligible for UI provided that they are effectively employees, in that their income is allowed from their own activity alone and is not under their control. This would extend coverage to anyone who works under a contract for employment, either explicit or implicit for a total of 10 weeks in the reference period. Special rules and regulations should be devised for determining UI eligibility for self-employed "employees," defining the occupations covered, the work attachment required to be considered self-employed and the definition of job search for individuals in these categories.

Other self-employed individuals who do not meet these criteria would be able to retain UI eligibility in a previous occupation by freezing a claim when they leave an occupation in which they have earned UI eligibility and exercising their claim when their earnings from self-employment cease. They would, of course, be required to look for work in their area of previous employment.

Fishermen's Benefits

In 1984 there were 55,944 premium contributors to the fishermen's unemployment account reporting gross earnings of $855 million and insurable earnings of $220 million.

In 1984 there were 35,152 benefit claimants under fishermen provisions of UI. Premium income was estimated at $12.9 million with net benefits paid of $163.4 million or an average UI subsidy of $4,544.78. Fishermen's benefits represent between 20% and 25% of landed value.

Benefits paid by government amounted to $163.4 million to 35,925 claimants. The greatest number of claimants (12,462) was from the province of Newfoundland, followed by Nova Scotia (7,819) and British Columbia (6,141). Benefits paid were also greatest in Newfoundland at more than $57 million, or more than one-third of total benefits paid.

According to the Newfoundland government, some 11,000 fishermen or 85% of all inshore fishermen receive UI benefits and this represents almost 40% of Canadian fishing beneficiaries. Statistics from 1983 taxation files indicate that unemployment insurance benefits comprised over 40% of a fisherman's total income.

There are three types of fishery in Canada. The first is a hardship or subsistence, inshore, northern and freshwater fishery – basically applicable to those areas north of 50 degrees. The second is a cyclical fishery which applies to the more southerly parts of the Atlantic Coast and the Gulf of St. Lawrence. It is predominantly market-driven and suffers ups and downs over an approximate seven-year cycle. The third fishery is a highly volatile one in which, for no apparent or as yet fully explained reason, catch rates can fluctuate tremendously year over year, leading to boom and bust in terms of catch capacity and related investment.

For the hardship fishery, broadly northeast Newfoundland, Labrador, the lower north shore of the St. Lawrence and the northern prairies and territories, income stabilization cannot be considered a desirable vehicle since such a scheme will only tend to stabilize already existing poverty.

There are three separate streams of UI available to fishermen. Fishermen who work for a contracted wage (off-shore trawlermen) are eligible for regular UI. Fishermen who are self-employed on a CEIC designated year-round vessel are eligible for Year-Round Fishing Benefits. Fishermen who are self-employed in the seasonal fishery (inshore) are eligible for seasonal benefits. This latter category includes the majority of fishermen UI claimants (approximately 90%).

To become eligible for seasonal fishing benefits fishermen must meet the entrance requirement of the region and have worked at least 6 weeks in fishing. The longer a fisherman works, the longer he can collect benefits. Fishermen are also entitled to extended benefits based on the regional unemployment rate. Benefit periods are from either November 1 to May 15 or from May 1 to November 15 depending on the season chosen. With extended benefits, fishermen may work 10 weeks and collect benefits for a maximum of 29 weeks.

Prior to 1983 seasonal fishing benefits were calculated against the average earnings over all weeks of insurable employment. This meant that if earnings declined in the latter part of the fishing season, it might be to the advantage of fishermen to stop work in order to avoid reducing the UI benefit rate. It was the view of the Task Force on Atlantic Fisheries that some fishermen did stop work before the end of the season for UI considerations. This exacerbated the glut situation during peak periods of fishing and increased overcapacity in processing plants in the off-season.

To counter this tendency a "10 best weeks" clause was included in the UI regulations in 1983 providing for fishermen who fish at least 15 weeks to base their benefit rate on the 10 best weeks. The rationale was that if fishermen were not penalized through a reduction in UI benefits in the shoulder season, they would continue to fish longer, draw less unemployment insurance benefits and provide a continuing flow of fish to plants to help alleviate processing cost overheads.

A subsequent review of fishing patterns by the Department of Fisheries and Oceans resulting from the "10 best weeks" measure indicates that claimants in the 11-to-14-weeks-worked range and a large increase in claimants with 15 weeks worked.

Recommendation

S21 We therefore recommend that Part V, Section 85(9) of the regulations be amended to reflect that the maximum number of weeks of the initial benefit period is equal to the number of weeks of insurable employment during the qualifying period.

Organizations and unions representing fishermen acknowledge that providing benefits through UI is not necessarily the most desirable or effective means of income stabilization. While there is general agreement that insurance for self-employed fishermen does not belong in, and should not continue indefinitely to form a part of, the regular unemployment insurance program, there has never been any assurance from government that a better income stabilization plan will replace UI. Even at the time of its introduction in 1957, unemployment insurance for fishermen was viewed as a response to the requirement for supplementing low-income fishermen, particularly in Atlantic Canada.

Concerns are also centred on the threat of U.S. countervail if fishermen's benefits were a separate program, and a perception that the program was less vulnerable under the broader umbrella of UI. Moreover, there was no strong call to have fishermen's benefits removed from UI. This may be related to the present funding structure which imposes no net premium cost on other UI participants. The government bears 100% of the cost over and above the UI premiums collected from fishermen.

Recommendation

S22.1 We recommend that fishermen's UI be continued in the Fishermen's Benefits section of the UI program.

S22.2 We further recommend that Canada recognize the special problems of the undeveloped and underdeveloped northern regions with respect to inadequate income, and develop special programs for income supplementation and economic development.

During the hearings there was a view that for those who are dependent upon nature, and may be restricted in the pursuit of their livelihood due to the need for conservation of stock, the vagaries of the weather, and the arbitrary distribution of common property resources, incomes should be stabilized year over year.

Like fishermen, the incomes of hunters and trappers are affected by licences, government-imposed quotas, and seasons, natural fluctuations in abundance, geographic and climatic conditions, access to employment in the off-season, and costs of production related to international markets, where participants are price takers.

The result of these barriers to earned income, both natural and government imposed, are fluctuations in income. Hence the need for income stabilization and supplementation. Hunters and trappers, like fishermen, may wait a very long time for any kind of income supplementation or stabilization.

Recommendation

S23 We therefore recommend that hunters and trappers be eligible for Unemployment Insurance under the Fishermen's Benefits provisions of the UI Act.

Chapter 5: Financing

In the 1985 calendar year total costs to the UI Account amounted to about $11.5 billion. Approximately $3 billion was paid by taxpayers and the remaining $8.5 billion was funded through premiums paid by employees and employers. In 1984/85, the taxpayer also paid $1.9 billion for training, job creation and employment programs not covered by the benefit and administration provisions of the UI Account.

In 1986, estimated total program costs (assuming interest charges of over $400 million) could reach $11.1 billion, of which roughly $8.4 billion would be the employer-employee share and $2.7 billion the government share. Estimated costs for the activities not paid for by the UI Account are $1.3 billion for 1985/86 and $1.7 billion for 1986/87.

The sharing of funding by employees, employers and the government is an aspect unique to the Canadian unemployment insurance program. The federal government finances regionally extended benefits, benefits for self-employed fishermen that are in excess of premiums from that employment, and extended benefits for those undertaking approved training or participating in approved work-sharing or job creation projects. Employer and employee premiums cover the cost of the remaining elements: initial and labour force extended benefits; sickness, maternity and retirement benefits; work-sharing benefits; and the administration of the UI program, including the National Employment Service. Financial responsibility for UI and for premium schedules is determined by statute.

Specifically, Section 62 of the Unemployment Insurance Act provides for the setting of premium rates sufficient to cover the employer-employee costs determined for that year, adjusted to reduce or eliminate any surplus or deficit expected by the end of that year. Section 63 provides a specific definition of the employer-employee cost as well as a prescription for determining the maximum or minimum premium rate (also known as the statutory premium rate) that can be set for any year in the event of an expected surplus or deficit position in the UI Account.

Of the private sector's costs, employers pay for 58.3% under an allocation mechanism (adopted in 1971) that requires employer contributions to be 40% greater than employee contributions. Employees then pay the remaining 41.7% of private sector costs. Premium schedules are adjusted annually to ensure that sufficient revenues are collected.

The UI Account has not always broken even.

After several years of deficits, the 1985 Public Accounts show a surplus for 1985 of $150 million in the UI Account, reducing the cumulative deficit to $4.4 billion. The $842 million improvement is largely attributable to such factors as a decrease in the unemployment rate and a higher proportion of regular benefits paid by the government.

In 1986, with net premium revenue expected to reach $9.5 billion, the annual surplus could again reach $1.1 billion, reducing the cumulative deficit to about $3.3 billion by the end of 1986.

Both employee and employer premiums are based on weekly earnings. In 1986, these rates were $2.35 per $100 of weekly earnings for employees and $3.29 per $100 of salary costs for employers. Earnings in excess of a ceiling amount ($495 per week in 1986) are not subject to premiums for employees or employers, and premium payments are tax deductible expenses for both employers and employees.

Reductions in premium rates are allowed for employers with registered wage-loss replacement plans that provide sick pay to employees. Such reductions usually amount to about 10% of total employer premiums. Employers are required to rebate 5/12 of any premium reduction received, to their employees, in the form of wages or increased fringe benefits. This provision is intended to retain, at least in principle, the 1.4 to 1 premium allocation.

Premium schedules are uniform across all industries, and there is no attempt to vary premiums according to amounts of provincial or local claims experiences. As a result, ratios of benefit costs to premiums paid vary widely for both industries and provinces or territories.

Government's Role in Unemployment Insurance Financing

We believe that tripartite funding of the UI program between employers, employees and the government is appropriate and should continue. In our view the UI program should be essentially premium funded. The government should fund the portion of benefits tied to the unemployment rate as well as fishing, hunting and trapping benefits and various labour market programs. We believe that this is in keeping with society's broader concern for aspects of unemployment which are beyond the control of employers or employees and which reflect the results of economic policies, international trade, fiscal policies, and so on.

Financing the program through levies on employers and employees is consistent with the premise of social insurance by pooling risks of all employees in a common fund financed by all on an equal basis.

Recommendation

S24.1 We recommend that the UI program continue to be financed on a tripartite basis through employer-employee premiums, and federal government contributions; and

S24.2 that the federal government continue to absorb the cost of benefits related to labour market conditions as measured by the official unemployment rate exceeding 4% (regionally extended benefits), hunters, trappers and Fishermen's Benefits in excess of premiums collected, and the administrative costs of the program;

S24.3 we further recommend that Sections 37 (Work Sharing), 38 (Job Creation), and 39 (Training) be removed from the UI Act, and be properly placed in the Canadian Jobs Strategy program.

Premium Allocation Between Employees and Employers

Prior to 1971, premiums were allocated between employees and employers on a 50/50 basis. Movement to the present 42/58 allocation was made, at least in part, on the premise that workers have less control over unemployment and can less afford its costs than firms. It is felt that larger increases in cost would have been objectionable to employers.

In terms of economic theory, the allocation of premiums between employers and employees is generally believed to be unimportant. The combined UI premium (currently $5.64/$100) can be viewed as creating a "wedge" between what the employer pays for labour and what the employee receives. Statutory rules on how this wedge is allocated among the parties, in the economist's view, may not necessarily have much to do with the question of who ultimately "pays" for this wedge. Depending on circumstances, the total amount may end up reducing the income of employees.

The allocation serves other purposes, however. It reminds employers and employees that the UI system, though indispensable, has a cost and that each group has a stake in it. There is a certain advantage to an equal allocation because it underlines the equal importance each group has in determining administrative policies. Many presentations to this Inquiry called for a return to 50/50 financing. Consistent with the proposal that all benefits be charged to the UI Account, an equalization of employers' and employees' shares would appear warranted and fair. Presentations by the representatives of workers emphasized their willingness to pay for expanded benefits and coverage.

Recommendation

S25 We recommend that benefit cost be allocated to employers and employees on a 50%/50% basis.

This recommendation is made only if there is a corresponding improvement in benefits.

Premium Rate Setting

In this area, we have been concerned with systems which would contribute to the economic stabilization function of UI, in the short term impeding a sudden rise of premiums in times of increasing unemployment, and in the longer-term equilibrium by maintaining higher rates during the initial years of recovery.

The premium rate is currently set on a three-year moving average of costs and insured earnings. Formulating the rate on a moving average covering more years creates greater stability in the long run.

Recommendation

S26 We recommend that the Act provide for premium rate setting to be based on an averaging formula covering a period of between five and eight years.

However, since economic cycles are irregular, averaging formulae prescribed by legislation are seldom in tune with reality. We feel it is best to let the more autonomous Unemployment Insurance Commission composed of responsible representatives of employers and employees deal with the situation as it presents itself. We are proposing greater authority and autonomy for the Unemployment Insurance Commission. We are also recommending an increase in the number of commissioners representing workers and employers.

Recommendation

S27 We also recommend that the Act charge the new Unemployment Insurance Commission with the power to fix rates annually while respecting objectives for both demand stabilization and medium-term equilibrium.

Financing of the Alternative

In preparing our alternative proposals for consideration, we have remained conscious of the need to keep costs, both to the government and to premium payers, as low as possible and still meet our objectives for a reformed UI system.

Revenue

One of the basic principles behind our proposal for UI reform is that the costs of providing unemployment insurance benefits which are tied to labour market conditions should be financed from general government revenues, rather than from premium income. In addition, ancillary programs – work sharing, training support and job creation, for example – are programs of general benefit to society and should be financed from general revenues rather than from UI premiums.

Under no circumstances should unemployment insurance premium revenue be treated like tax revenue. As a payroll tax – one covering only a portion of total earnings at that – UI premiums are regressive taxes. Premium revenue should not be used to finance general government programs.

Two of our proposals for program funding would have the effect of increasing the net premium revenue available to the program.

First, the recommendation to increase the maximum weekly insurable earnings to 125% of the average wage would have a net positive effect on program revenues. The broader pooling of the risk of unemployment inherent in increasing the earnings maximum actually makes more premium revenue available to pay for benefits for existing claimants.

Second, the proposal to equalize premium rates for employers and employees by raising employee premium rates would also generate additional funds. Working people who appeared at the hearings expressed a willingness to pay increased UI premiums provided that the increase would result in a program that better served their needs. Our proposal is made explicitly in that context. The recommendation is specifically contingent on a package of reforms being introduced that strengthen the program and improve benefits.

Costing of Our Proposals

With these proposals, program financing would be shown in Figure S5.1.

Figure S5.1

Costs of Our Proposal

(In millions of dollars)

Revenue	Current premium contribution level	8,700
	Labour market extended benefits (66⅔% benefit rate) funded from general revenues	2,885
	Increase to maximum insurable earnings (25%)	1,100
	Equalization of employer and employee premium rates by increasing employee premiums	1,600
Total revenue		14,285
Costs	Present system (all regular benefits)	9,420
	Increase benefit rate to 66⅔%	1,045
	Increase maximum insurable earnings by 25%	488
	Sickness benefits	259
	(Reduce waiting period to one week)	32
	Maternity benefits	502
	(Eliminate 2-week waiting period)	69
	Removal of 50-week maximum benefit period	876
	Parental benefits	227
Total costs		12,918
Additional revenue		$1,367
Excess premium income		12.0%
Premium rate changes:		
Employer premium rate change		−11.0%
Employee premium rate change		16.0%
Government cost changes		nil

Notes: Parental benefits assume 50% of those eligible take up benefit and use an average of ⅔ of entitlement. Figures for sickness, maternity and parental benefits include cost of increasing insurable maximum and increasing benefit rate.

Chapter 6: Administration – A New Approach

Administration Issues

The management and regulation of the unemployment insurance system came in for a great deal of criticism from all sides – employers, unions, individual claimants, community groups, politicians of all parties, and employees of CEIC itself.

From the perspective of employers, the most common complaints were about the administrative complexity of the program, typified by the infamous Record of Employment form, and the frequent changes in UI regulations.

Claimants complained about arbitrary, insensitive and demeaning treatment at the hands of the UI program. The nature of UI as a social insurance program based on an entitlement to benefits is simply not reflected in the treatment of claimants by UI administrators.

Claimants and their representatives were clearly frustrated at dealing with a large and unresponsive bureaucracy. They complained that what information was available was inadequate and misleading; that staff were reluctant to make decisions or to set precedents outside established policy, that front-line staff were relatively unskilled and inadequately trained; and that the use of temporary, casual staff to fill 15% of positions was inappropriate.

These complaints were endorsed strongly by the front-line employees of the Canada Employment and Immigration Commission themselves. On an individual basis, in small group meetings and in the formal and informal submissions of their union, the Employment and Immigration component of the Public Service Alliance of Canada, employees of CEIC complained about frequent regulation changes, lack of local authority to resolve problems, arbitrary rules, understaffing and unrealistic "production" targets. They pointed out that understaffing leaves little extra time to deal with clients on an individual basis.

Staff also pointed out that it is impossible to fill the triple role of policeman, counsellor and benefits officer adequately from the competing perspectives of the Commission and the client.

Employees and employers complained about both the lack of material available explaining the program and the quality and clarity of the material that is available.

Claims processing was considered to be slow and demeaning. Constant reference was made to: decisions which varied according to the officer or the clerk; lack of assistance in understanding the implications of particular questions and answers; the short time available for service to each client; and the long delays in receiving cheques. Everyone was of the opinion that modern technology should be able to assist in this area yet was not being effectively exploited.

Many presenters wondered why officers are not given more autonomy in making client or region-specific decisions, as is the case in the administration of Old Age Security and the Canada Pension Plan. The idea of decentralizing service delivery and giving local officials more autonomy received a lot of support, especially from northern and remote areas.

Immigrant and Native groups complained bitterly about the lack of accessibility of information about UI; about insensitive treatment at UI offices; about the lack of translation services; about the lack of any material explaining the program in languages other than English and French.

People who live in remote areas complained about poor service and delays, and about observed procedures like requiring claimants in Frobisher Bay to deal with Yellowknife when all other major links run through Montreal.

We share the feeling of the other commissioners that fundamental change is needed in the way the UI program is administered at every level and in every respect.

Change is needed to simplify the program; to streamline program delivery and claims administration; to humanize the treatment of claimants in the administrative system; to broaden services and support available for claimants and employers; to strengthen the appeal system; and to establish political and administrative accountability.

The Roots of the Problem

The administrative problems with the unemployment insurance program didn't happen by themselves, nor did they develop because of shortcomings in the employees of CEIC. Many of UI's administrative problems are a direct result of conscious government decisions over the past 15 years. And while some improvements can be made by changing administrative structures and procedures, nothing will really be changed until those decisions, and the attitudes they spawned, are reversed.

Ever since the program was modernized in 1971, unemployment insurance has been a favourite target for politicians trying to make a name for themselves as budget cutters. This fact has had four important consequences for the administration of the UI program.

First, benefit levels and program rules have been changed regularly as successive governments have attempted to limit the government's financial obligations to UI. Such frequent changes have made consistent administration extremely difficult.

Second, a preoccupation with costs and "cheaters" has engendered an administration that has become preoccupied with its policing function and has developed a negative attitude towards claimants and services for claimants. Many of the program's arcane and unfair administrative procedures are a direct result of attempts to use administrative procedures to save money by disqualifying more people.

Third, because many of the spending cuts have been disguised by redirecting UI funds to other employment services while keeping the money under the UI administrative umbrella, the UI administrative structure has evolved into a multiheaded monster which is unable to carry out any of its mandates effectively.

Finally, the increasingly tight administrative atmosphere has meant that "frills" that might have improved service – material in languages other than English and French, for example – fall by the wayside in the drive to cut costs.

What this means is that any changes recommended for the administration of the UI program must be accompanied by a concerted effort to change the attitude toward UI claimants that permeates the program.

Recommendation

S28 We recommend that a revised Unemployment Insurance Act state clearly the principle that UI is a social insurance program based on an individual entitlement to benefits and establish as an explicit administrative goal the treatment of all claimants with dignity and respect.

Tied to, and supporting, the negative attitude towards claimants in the administration of the Act is the prevalence of sections in the Act which place the onus on claimants to demonstrate that they qualify for a benefit. This often places the claimant in the position of having to prove things that cannot be established with the information at his or her disposal. This "guilty until proven innocent" reverse onus causes individuals to be disqualified unfairly and helps to establish a negative attitude to those who are entitled to benefits.

Recommendation

S29.1 We recommend that all administrative procedures that place the burden of proof on UI claimants be replaced by new procedures that respect the principles of natural justice;

S29.2 claimants should be required only to present to the Commission the facts at their disposal necessary to establish a claim. The claimant having supplied the facts, the onus should be on the Commission to disprove entitlement.

Program Complexity

One of our objectives in recommending changes in benefit design and program structure was to simplify the program to make it more easily understood by employers and employees and to make it easier to administer.

Our recommendations eliminate such administrative headaches as the Variable Entrance Requirement, the unique qualifying requirements for special benefits and the special entrance requirements for repeat claimants. Our recommendations for the treatment of work while on claim should eliminate some of the "double jeopardy" situations in which present program rules place some claimants. Requiring premium assessment on all hours should eliminate some of the administrative complexity surrounding part-time work.

We have recommended collapsing the three-phase benefit structure into two: one based on weeks worked during the reference period; and a second based on the rate of unemployment in the local labour market. And we are recommending that the complex rules governing eligibility for special benefits be eliminated.

These changes, taken together, should eliminate many of the administrative problems which confront both employers and employees in dealing with the unemployment insurance program.

But these changes, by themselves, will not be sufficient. The Act itself is a problem. Chief Justice W.R. Jackett of the Federal Court of Appeal put the problem clearly in a 1974 judgment (Gladys Petts and the Alberta Teachers' Association vs. Unemployment Insurance Commission, 1974):

> This statute is even more difficult than most modern complicated statutes, in my view, to comprehend. It is replete with special concepts created for the purpose of this statute. Its general scheme is almost completely obscured by being buried in detailed provisions.

The present Act has evolved on a piecemeal basis, with the result that it is now a curious combination of excessive detail and vagueness. In some areas, its provisions are hopelessly detailed, leaving no discretion to administrators whatsoever. In other areas, it leaves important issues unresolved, giving administrators far too much discretion in determining benefits and eligibility.

The Act will have to be rewritten in any case, to accommodate other recommendations for change.

Recommendation

S30 We recommend that the new Act be carefully structured to limit administrators' authority in areas of policy concern while avoiding the mindless detail and nitpicking which now hamstrings administrators and results in rulings that appear to lack common sense.

Treatment of Claimants

Part of the problem with the current administrative structure of UI is that there are inherent conflicts of interest built into the system. The most significant of these is that the same administrative structure is responsible for advising claimants of the benefits to which they are entitled, determining eligibility for benefits, helping claimants find jobs, auditing claims, policing the system to control "cheating" and operating the appeal system.

No single administrative structure could possibly perform all of those conflicting functions effectively and fairly.

Recommendation

S31.1 We recommend that the audit and policing (benefit control) function be separated completely from regular claims administration. Officials should not be put in the position of having to be both counsellor and policeman;

S31.2 that each UI office fund community-based claimant advisory and advocacy services or, where no groups exist to provide claimant services, provide such services from the UI budget but under the control of a common advisory board made up of worker representatives. Delivery of such services should not be under the control of CEIC; and

S31.3 that employment services offered under the UI program be administered independently of the claims administration and benefit control functions.

Onus of proof

Rather than stating neutrally that under certain circumstances the claimant does or does not have a right to benefits, the Act states that there is no entitlement until the claimant proves that he or she qualifies. The onus of proof is on the claimant to demonstrate eligibility.

In our view, the law should outline circumstances under which claims may *not* be recognized and include a statement of the claimant's responsibility to present evidence and information to support a claim.

There would be no onus of proof on the claimant, whose only duty would then be to provide information in support of a claim. Fairness and efficiency demand that the claimant be assisted in marshalling the necessary information so that the claim can be properly assessed.

Recommendation

S32.1 We recommend that a responsibility be placed on the UI Commission to deal reasonably with each claim submitted to it, and on the claimant to present factual information and evidence to support a claim;

S32.2 that references to "proof" of claim be replaced with conditions of eligibility stated in more neutral language;

S32.3 that each claim be treated as honest, reasonable and legitimate, until the facts demonstrate otherwise; and

S32.4 that claimants be provided with reasonable assistance in the marshalling of the facts necessary to support claims.

Accessibility of UI Services

At present, the unemployment insurance program could not be less accessible to claimants if it were deliberately designed to be inaccessible.

Presenters at the hearings of the Commission of Inquiry complained about the lack of a clear statement of a claimant's rights and obligations.

UI has consistently ignored the multicultural reality of Canada, to the point where no material is available on the program in languages other than English and French and no services are available in third languages. We heard of one UI office in the heart of the Portuguese community in Toronto in which employees were forbidden to communicate with claimants in Portuguese. Those who did were transferred to other offices where their language skills were useless.

The UI administrative system is full of unwritten rules and hidden criteria, rules and criteria that are regularly and deliberately used by UI administrators to put claimants into "catch 22" situations. Many of those with whom we met described their encounters with UI as demeaning administrative games aimed at trapping claimants into making statements that would lead to their disqualification.

UI should be required in the legislation to inform claimants fully of all relevant rights and obligations, including the meaning of the requirements to look for work within a "reasonable interval," the meaning of availability for work, what constitutes suitable employment, what kinds of jobs they must be looking for, and what wage levels they will be required to accept.

Failure to notify claimants of these requirements in advance should nullify any resulting penalty, and no penalty should be applied in any case until the claimant has been advised of why and how he or she has failed to meet specific obligations and has been given an opportunity to offer an explanation.

Where there is a determination that there is an overpayment, claimants should be given clear notice as to how they can appeal overpayments.

Recommendation

S33.1 We recommend that all administrative rules and criteria be available to the public and explained clearly to all UI claimants who might be affected by them;

S33.2 all material produced for claimants must be available in every language other then English and French spoken by a substantial number of UI claimants served at the local level;

S33.3 in all UI offices serving significant ethnic communities, services be available in the language of that community; and

S33.4 UI publish a clearly written document that outlines the rights and obligations of UI claimants and make the document available and accessible to all UI claimants.

Coordination of UI and Employment Services

Employment services in Canada are provided by an astonishing number and variety of government agencies. Programs are offered by all three levels of government, singly and in combination, by different agencies within each level and by private non-profit organizations whose activities are funded by government.

Each of these programs has its own rules and eligibility criteria. Some of these programs are coordinated. Others have eligibility criteria which are in conflict. Although each may fill a particular niche in the employment adjustment needs of Canadians, there is no real coordination.

Getting access to such a maze of programs would be a difficult prospect for anyone, under any circumstances. For the clients of this system – the unemployed – it is next to impossible.

It would obviously not be reasonable or desirable to put all employment services under a single administrative umbrella. What can and should be done, however, is to try to reduce some of the complexity and confusion as it is experienced by the client of the system.

Since unemployment insurance is the first contact point with the employment services system for most of the unemployed, it would make sense to establish UI counsellors as the information entry point to the system. Counsellors would have available information about the full range of employment services programs available to claimants, both from within UI and from other government agencies and non-government organizations.

These counsellors would also be able to advise UI claimants on the most effective way to use the UI benefits to which they are entitled. For example, counsellors would have available information on local and national employment prospects by job category as the basis for advising claimants on the need and/or potential for training and/or mobility assistance.

Recommendation

S34 We recommend that a UI counselling service be established as the point of entry of all UI claimants into the system. The purpose of the counselling office would be to assist claimants in completing application forms and to assist them in gaining access to other applicable services and programs.

This service could be provided by CEIC itself or by non-government organizations funded by CEIC.

Other Administrative Issues

Late Applications

In the present UI system, claimants who are late filing claims or who are unaware that they are eligible for benefits generally lose any benefits that they would have received had they filed on time.

Under certain circumstances, claimants can avoid the consequences of late filing by getting permission to "antedate" a claim, a process that has generated its own jurisprudence.

In an insurance program, claimants should be eligible to apply for and receive all their benefits at any time during the period for which they are eligible. We see no good reason for not accepting a claim at any time during that period.

Recommendation

S35 We recommend that claimants be eligible to file a claim and receive benefits at any time during the period for which they would be eligible for benefits.

Just Cause

One of the areas of agreement in the hearings was that claimants should be exempted from penalties for voluntary quits, dismissal for misconduct and refusal of "suitable employment" where the claimant has "just cause."

Reasons considered legitimate for voluntary quits should include health and safety concerns, moving to accompany a spouse, and sexual harassment. Just cause for refusing employment should include transportation problems and lack of tools required to do a particular job.

Recommendation

S36 We recommend that the Act specifically exempt from any penalty claimants who can establish just cause for their actions, and that an inclusive definition of just cause be set out in the Act.

Procedural Disqualifications

Under the present system, claimants can be disqualified or assessed penalties for violations of procedural requirements of the program. Given the complexity of the Act and the fact that claimants generally do not have regular experience with and knowledge of the program and its rules, procedural disqualifications are unjustifiably harsh.

Recommendations

S37 We recommend that no claimant be disqualified for failure to meet procedural requirements such as the filing of report cards or for reasonable errors committed in ignorance of the requirements of the Act and regulations.

S38 We recommend that the knowledge required of claimants in determining the reasonableness of an error be limited to published material generally accessible to claimants.

Centralization/Decentralization of Services

Complaints about the administration of UI are not consistent on the question of centralization versus decentralization. On the one hand, the program was criticized heavily for not making effective use of computerized facilities and information. On the other hand, it was criticized for being insensitive to local conditions and for delays resulting from decisions having to be made at "head office."

In our view, the solution to these problems is to separate services that can be effectively centralized from those that are best delivered subject to local control.

The mechanical side of claims administration should be carried out in a limited number of central data processing facilities, connected online with local offices.

Local officials in service offices should then be given more authority to make decisions on locally generated claims.

To ensure that claimants do not end up bearing the brunt of any problems in administrative systems, local offices should be given the authority to reissue any UI cheque that is more than five days overdue.

Recommendation

S39.1 We recommend that processing of claims be carried out centrally, in a limited number of data processing offices connected on-line with local offices;

S39.2 that local offices be given the authority to make a broader range of administrative decisions in response to local needs; and

S39.3 that local offices be given the authority to reissue any UI benefit cheque that is more than five days overdue.

The Appeals System

Most of the participants in the public hearing process who addressed the appeals system expressed a negative view.

Presenters complained about accessibility both to people who live in remote areas and to people whose main language of communication is a language other than English or French. People had only a limited awareness of the process and how to use it.

Those who used the system complained about the lack of any systematic information about umpires' decisions, about the hardship imposed by the practice of denying benefits or requiring repayment when an appeal is pending, and about the closeness of the relationship between the Boards of Referees and the UI Commission.

There was a great deal of complaint about delays. Many presenters called for the incorporation of time limits for hearing dates and decisions by all levels of the appeal process.

The distinction in the present appeal system between issues of fact and issues of law should be retained, with issues of fact only determined at a first appeal level and issues of law dealt with by a court with administrative law jurisdiction. However, the appeal system must be revamped to make it more efficient and accessible and to make both appeal levels completely independent of the Unemployment Insurance Commission.

Recommendation

S40.1 We recommend that there be three levels of appeal from a decision of a UI claims officer: an administrative appeal to a claims adjudicator, whose function would be to provide a "second opinion" on any issue between a claims officer and a claimant; a Board of Referees composed of an independent chairman, an employee representative, and an employer representative, including an independent administrative structure, completely independent of the UI Commission and with the authority to determine all issues of fact and procedure; and a right of appeal on issues of law to the Federal Court of Appeal;

S40.2 that time limits be established in legislation for hearing dates and decisions at the claims adjudicator and Board of Referees levels;

S40.3 that adequate explanatory material be made available to enable claimants to make effective use of the appeal system; and

S40.4 that funding be provided by CEIC for advocacy groups to assist claimants in the appeals and claims processes.

Governance of UI

There are several factors which shape our view on policy-making and control of the Unemployment Insurance program. Some of these are:

- UI is fundamentally a workers' program in the double sense that it is designed to provide income protection to workers and workers bear the bulk of the program's costs;
- since 1971 the program has been subjected to a series of legislative changes which have undermined both the security of the benefits and the sense of entitlement to benefits as a matter of right; and
- amendments to the program since 1971 have been largely inspired by short-term fiscal and political concerns that fly in the face of workers' interests in income security.

We have found the evolution of the program since 1971 to be unsatisfactory. We resent not only the basic direction of the amendments to the 1971 program but the fact that they have simply been imposed on the contributor/beneficiaries. The November 1984 "administrative changes" to the UI program represent the low point in this evolution.

Our recommendation on UI policy-making is shaped by three objectives:

- enhancing the role of workers' representatives in establishing UI policy;
- creating more of an "arm's length" relationship between the government and the ongoing administration of UI; and
- insulating the program against unnecessarily frequent legislative interventions.

We, of course, recognize that Parliament must create the legislative framework within which UI must operate. In this regard we are simply suggesting that stability is a virtue. However, with regard to the ongoing administration of UI, it is possible to have the administration operate at more of an arm's length distance from the government than it currently does, while retaining public accountability.

The present CEIC is supposed to operate as a distinct corporate entity. But its independence is extremely limited. The Chairman and Vice-Chairman of the Commission are, respectively, the Deputy Minister and Associate Deputy Minister of the Department of Employment and Immigration. Moreover, the UI program is subjected to changes based on Treasury Board's attempts to cut program expenditures. The treatment of separation payments and pension income as earnings are the most recent examples.

The present system of accountability and control of the Unemployment Insurance system satisfies no one. Despite the importance of the program to employers and employees, the "funding partners" have no role in the day-to-day administration of the system. The Employer and Employee Commissioners have no real authority.

At the same time, the UI Commission's semi-independent status limits the amount of day-to-day control that is possible or practicable at the political level. In some respects, the UI Commission is independent of both employers and employees and Parliament.

On the other hand, the government exercises detailed formal control over Unemployment Insurance through frequent changes in the Act and its regulations as well as changes in government administrative procedures and other Treasury Board directives. The effect of the exercise of this control is to reduce administrative flexibility. And frequent changes in the regulations make consistent and comprehensible administration of the program difficult.

There has to be a better way.

In considering options for accountability and control of the unemployment insurance system, a balance must be struck between the independence of government that must be established to ensure administrative flexibility and day-to-day accountability to the employer-employee partners in UI and the overall political accountability that is essential in a public program as important as UI.

Political accountability is important both because UI is a critical part of Canada's social insurance system and because, under our proposal, regionally extended and fishing/hunting/trapping benefits will continue to be funded from general revenues and because other general revenue-funded programs will be delivered in conjunction with UI.

Political accountability should be established in two ways. First, the program – including benefit structures and levels – should be spelled out in legislation. Second, the spending estimates of the program should be accounted for, in detail, to Parliament on an annual basis. Given the overall public importance of UI we cannot support any proposal that would eliminate any financial accountability to Parliament.

Overall responsibility for day-to-day administration should rest with a 15-member joint employer-employee board, half of whose representatives would be employer representatives and half representatives nominated by and accountable to recognized labour organizations, with a neutral chairman chosen by the board.

The board would be responsible for all administrative decisions within the program framework established by the Act. The board would have the power to make regulations, subject to the approval of a parliamentary committee.

Recommendation

S41.1 We recommend that the program framework, including the full benefit structure, broad program rules and administrative guidelines be established in legislation;

S41.2 that the spending estimates of the UI Commission be submitted annually to a parliamentary committee for approval;

S41.3 that a board of directors be established with overall responsibility for the day-to-day administration of the UI program;

S41.4 that the board of directors consist of 15 members, 7 representatives of employers and 7 representatives of organized labour, with a neutral chairman appointed by the employer and labour representatives on the board; and

S41.5 to ensure the effectiveness of the board, that 5 of its members – 2 employer representatives, 2 employee representatives, and the chairman – be full-time board members as members of an executive committee.

Chapter 7: Helping People Adjust to Rapid Change

Complementary Labour Adjustment Programs

While we believe that UI is Canada's most important labour adjustment program, it should not be viewed as a mechanism for addressing all labour market adjustments. Its fundamental purpose must be to promote the economic and social security of Canadians by supporting workers between jobs. We believe that this very clear purpose is as relevant today as when the UI program was established nearly 50 years ago.

This purpose will be lost if the program becomes burdened with conflicting social and labour market objectives. UI was not meant to get at the roots of unemployment. It is and must remain simply an earnings replacement plan to those who, having been employed, have lost their employment. The insurance benefit is a worker's right established by past contributions and continuing participation in the labour force.

We have argued throughout our report that weekly earnings replacement should be the fundamental purpose and design of a sound Unemployment Insurance system. We are advocating that these essential features be strengthened. Unemployment Insurance cannot and should not be viewed as a panacea for every conceivable labour market adjustment problem.

We see the need for a range of complementary policies to ensure that UI remains an important element in our social security system. And we urge the government to turn its attention to those policies which are complementary rather than seeking solutions within Unemployment Insurance.

As far as complementary labour market programs are concerned, it bears repeating that the success of most initiatives in this area will depend on achieving full employment.

No matter how sophisticated their development or design, labour market programs cannot succeed in a shrinking economy. When jobs are scarce and disappearing, training programs, mobility grants and special adjustment assistance for youth and older workers become little more than emergency measures. They, like UI, cannot turn back the tide of unemployment. Labour supply programs do not save or create jobs. Nor will any amount of tinkering with UI save or create jobs.

If government abandons full employment as a policy goal and accepts a high level of unemployment, labour market policy inevitably centres on the ways and means for rationalizing unemployment. The use of UI funds for job creation, work sharing and training is only one of several examples of this distortion. It is the "work for welfare" philosophy. The unemployed are trained for nonexistent jobs. Job creation becomes an emergency make-work measure. Work sharing becomes a euphemism for unemployment sharing.

Training, mobility grants, job creation are essential and should be designed so that the unemployed can take full advantage of them. But they should not be funded from UI nor should they be a condition for UI entitlement.

Training and Job Creation

The current flagship of the government's labour adjustment programs is the Canadian Jobs Strategy. Heralded as being a new approach to labour market planning, the Canadian Jobs Strategy essentially lumps all previous job creation and training programs together into six components: Job Development; Job Entry; Skill Investment; Skills Shortages; Innovations; and Community Futures. These programs address virtually the same areas of concern as previous government policies. The notable difference between the Canadian Jobs Strategy and the old National Training Act program is the emphasis on a new consultation process with labour, business and community groups through Local Advisory Councils and the strong reliance on the private sector for the implementation of training initiatives.

The Canadian Jobs Strategy is also an attempt to eliminate previous "make-work projects" by bringing such efforts within the framework of an all-encompassing training program designed to assist particular groups.

The long-term unemployed, employment disadvantaged, women, disabled persons, Native people and visible minorities are all eligible for on-the-job training within the *Job Development* program.

Youth who have not graduated from a post-secondary institution and women who have been out of the labour force for at least three years are offered training under *Job Entry*.

Workers facing economic or technological change in their place of work may apply for retraining under the *Skill Investment* program.

In addition, new and current employees may receive wage subsidies to retrain in skills which are identified as lacking either regionally or locally under the *Skills Shortages* program.

The *Innovations* program is designed to help fund projects which test new solutions to labour market problems.

The only feature of the Canadian Job Strategy which might be identified as a long-term job creation effort is the *Community Futures* program which assists communities suffering from mass layoffs, plant closures, chronic unemployment and general economic decline.

An underlying assumption of the Canadian Jobs Strategy is that the purpose of labour market planning is merely to match workers to available jobs. It assumes jobs will be generated by the private sector. The passive acceptance of high levels of regional and national unemployment inherent in this assumption is unacceptable.

The inclusion of target levels for women and disadvantaged groups within the Strategy, however, is an important feature.

We support the concept of "fair target levels" for groups of disadvantaged individuals seeking employment. Based on the idea of "employment equity," these target levels are a laudable and welcome addition to job-training programs.

The primary concern of women's groups and those organizations representing women's interests, however, is not whether the Canadian Jobs Strategy programs are meeting the numerical targets. The question is whether the program is simply training women for low-skilled, low-paying jobs instead of assisting them to break into non-traditional occupations.

This concern about the program has been raised by a coalition of non-profit job-training organizations which includes the National Action Committee on the Status of Women, the Canadian Congress of Learning Opportunities for Women and the Association for Community-Based Training and Education for Women. Although these groups are encouraged by the relatively high participation rate of women in the Jobs Strategy programs, they believe, as we do, that a mechanism should exist within the program to ensure that a set number of women are trained in non-traditional occupations.

Women continue to be clustered in job ghettos that are characterized by: low pay; low job satisfaction; low skill requirements; part-time employment; and instability in the face of technological change and economic swings. In 1984, 60% of women were in clerical, sales, and service jobs; 14% were in medicine and health care, and teaching.

We have another concern with Canadian Jobs Strategy. The federal government is attempting to reduce "direct" funding to institutional training, by cutting its purchase of training courses from provincial community colleges, vocational schools and technical institutes. Part of direct purchase of training from institutions has been replaced by subsidies to employers to purchase training from public institutions or private operators of training schools.

Under the terms of agreements with the provinces, the federal government will be reducing its direct funding of institutional training by approximately 40% by 1988.

We have good reason to believe that the quality in training will suffer as privately run schools compete amongst themselves for business, offering cut-rate courses based on low wages and increased class sizes. There are no controls in place under federal-provincial agreements to ensure that training standards are met or maintained by privately run training operators.

Cutbacks in the direct purchase of places in public training institutions have already resulted in announced layoffs in community colleges, technical institutes and the vocational schools system in three provinces: Nova Scotia, Ontario, and British Columbia. More are expected as a result of both the Canadian Jobs Strategy and cuts in transfer payments to the provinces for post-secondary education announced in the May 1985 budget.

In fiscal 1983–84, $2.1 billion was spent on training and job creation. Spending increased to $2.3 billion in 1984–85. Yet, in 1985–86 only $2.1 billion was earmarked for all Canadian Jobs Strategy programs. Not only were the budgeted figures lower for 1985–86 than for each of the two previous years, but $300 million was allowed to lapse. In short, spending on training and job creation was more than half a billion less in 1985 than it was in 1983.

Under the Strategy the distinction between training programs and job creation programs is ambiguous. There is now a greater emphasis on training and skill development than on the establishment of lasting employment opportunities. This responsibility has fallen to the private sector – "the engine of economic growth."

The overriding criticism of National Training Act programs was that they were too numerous and complex and were therefore difficult to coordinate. Streamlining the various training and job creation programs is something we support. But the privatization of classroom training and the erosion in the quality of training are trends we reject.

Another major gap in the Jobs Strategy is that there is still no comprehensive and coordinated federal-provincial plan to provide employment for youth. The Canadian Jobs Strategy only begins to help young people who are struggling to find their first permanent job after finishing school. The Youth Training Option is of limited scope, although it is a step in the right direction in that it combines work experience and vocational training. By focussing on early school leavers lacking formal qualifications, it leaves the majority of youth untouched.

Canadians under the age of 25 are twice as likely to be unemployed as the older workers. Even though youth comprise just over 20% of the labour force, they account for a staggering 40% of the unemployed and about a third of those out of work for more than 12 months.

The ages 15–24 encompass two of life's great transitions: from school to work and from dependence on one's parents to independence. Facing insurmountable barriers to labour market entry, many of our youth are denied meaningful and rewarding job opportunities. Unable to become contributing adult members of society such youth subsist at the margins with their overall quality of life seriously impaired. Society thus risks squandering the talents and productive energies of part of the next generation.

In our search for new approaches to youth unemployment, it is worth examining how other industrial nations have confronted the problem. Undoubtedly the most successful in this regard has been Sweden: it has all but eliminated youth unemployment.

Any youth under the age of 20 is either enrolled in full-time secondary education or is entitled to a place in a vocational training program or a special youth job. No Swede under the age of 20 is unemployed.

Early school leavers are either placed in vocational programs designed to channel them back into regular high school or into the labour force by age 18. Barring these options, special youth jobs are also available. These are arranged in cooperation with local employers, who receive a six-month wage subsidy on the agreement that regular staffing will not be affected. The program guarantees 4 hours' work daily at union-negotiated job creation wages. Jobs must be socially useful and help in the youth's personal development. At any given time, 5% of youth 16–18 are enrolled. Local committees comprised of unions, employers and other community representatives coordinate efforts of the schools, the municipal authorities, and the state-run employment service offices to find the most suitable arrangements for individual youth. The committees also help schools plan and follow up a battery of programs which ease the passage from the educational system to the world of work.

We are not advocating a wholesale application of Swedish-style solutions to Canada's youth unemployment problem. But we are advocating programs tailored to meet specific local needs and federal-provincial cooperation in committing resources to deal with youth unemployment. No advanced industrial nation can risk having segments of its youth alienated from work, society and themselves.

Older Workers

Layoffs and plant closures affect all workers. But the plight of the older worker requires particular attention. Again other industrialized countries have recognized that this age group – 45 to 64 – faces unique problems and they have adopted policies and introduced measures to respond to the situation. Government programs in Canada directed specifically at older workers are almost non-existent.

The effect of the recession, industrial adjustment and technological change on older workers is traumatic and tragic.

Many older workers unemployed for the first time could not find a job in the depressed economy. The majority either received no severance pay or pensions. The few that did had it taken away with the change in the UI program. As a result, the standard of living for 300,000 unemployed older workers has sharply declined.

Older workers often face particular difficulties when they become unemployed. They are more likely to be unemployed for longer periods of time than are younger workers and the options of geographic relocation and retraining are less viable than they are for younger workers. As is the case with the unemployment problems of workers in all age categories, the problems faced by older workers today are, in part, attributable to unemployment arising from insufficient aggregate demand. But the structural changes to the Canadian economy resulting from forces such as technological change, and changes in international trade patterns are also important.

Having identified the situation of unemployed older workers as a problem, it may be appropriate to establish special benefit periods and/or earnings-replacement rates based on age. But it is important to ensure that these programs are compatible with labour adjustment programs already in place (e.g., Canada Pension Plan) as well as features of the unemployment insurance program such as the treatment of separation payments and pension income.

Regardless of what is done for older workers through UI, it is clear that complementary programs are required. These complementary programs may involve a package of reduced work time, retraining and job search initiatives such as those recommended by the CEIC Advisory Committee in its report *Older Workers: An Imminent Crisis in the Labour Market*. It is clear, however, that the Program for Older Worker Adjustment (P.O.W.A.) announced in the spring 1986 Budget is totally inadequate to meet income security needs of older workers. The CEIC Advisory Committee study established the cost of helping older workers (over age 50) at about $1 billion per year. P.O.W.A., although not restricted to a particular industry or region as the Labour Adjustment Benefits Program was, is woefully inadequate at $33 million per year.

Full Employment

At this point in Canada's history there is no bigger source of social or labour market problems than the country's persistently high rate of unemployment.

The essence of the argument is that the economic environment and labour market are fundamentally different. There are those who believe that unemployment may not be long term and structural, that the dislocated are part of the economic mainstream, that the problem may not go away.

This kind of thinking goes to the heart of the debate about the nature and cause of unemployment. The major change in the nature of unemployment over the past decade has been the alarming increase in both the incidence and duration of unemployment. Last year more than half of the unemployed could not find a job in less than six months and several hundred thousand were unemployed for more than a year. Added to this are the discouraged workers.

The existence of long-term unemployment is one indication of general job scarcity. The phenomenon of workers' discouragement implies even greater problems of job unavailability than is indicated by a given unemployment rate.

An investigation of the linkage between aggregate demand measures and long-term unemployment by the Economic Council of Canada (ECC) found that long-term unemployment is highly cyclical in nature. Variations with fluctuations in the economic climate are more pronounced for the long-term unemployed than for all unemployed.

According to the ECC "the policy implications of these findings are straight forward. Attempts to lower the observed levels of unemployment would gain considerably by focusing on the long-term unemployed group. The incidence of long-term unemployment can be reduced by aggregate demand policies. What the analysis shows clearly is that unemployment in Canada cannot be treated exclusively as a structural maladjustment problem."

Despite the overwhelming evidence that deficient demand is the major cause of unemployment, there has been a persistent refusal to acknowledge the nature of unemployment and its cause.

In other words, the demand for goods and services is not sufficient to provide enough jobs for all of those Canadians who would like to be employed. Unless the problem of unemployment is dealt with head on, a significant number of otherwise valid labour market initiatives will be limited in their effectiveness, and the demands on income security programs will be very high. The number one priority must be to address the problem of insufficient aggregate demand, not only because of the enormous costs of unemployment itself, but also to make existing labour programs such as training and youth employment more effective.

There is a great deal of controversy surrounding the possibility of deliberately increasing the budgetary deficit in order to increase aggregate demand. Nonetheless there is still scope for a lower interest rate and tax reform. The tax side of the budget has been manipulated on a number of occasions over the past decade to encourage saving versus consumption, and the corporate tax incentives have been focussed on capital-intensive industries. On the expenditure side of the budget, bank bailouts and increased military spending will not have great employment impact as would, for example, a program of municipal infrastructure development.

The goal of full employment is unassailable on both social and economic grounds, and it is achievable. But it does require a recognition of the true cause of unemployment and a commitment to social and economic policies with jobs as their central objective.

We want the political commitment to full employment shared by an overwhelming majority of Canadians to be reconfirmed. The policy options are available to reduce unemployment. But government policies and programs must set the overall framework within which full employment will be achieved.

It therefore gives cause for concern when we see the government's agenda crowded with initiatives that are rooted in a common philosophy – disengagement of government from the economic affairs of the nation in favour of the "natural" forces of the market.

Free trade with the U.S. deregulation of key economic sectors, privatization, and contracting out all emanate from this view of the appropriate role of government. It is a view that we believe represents a sharp departure from the pragmatism of government intervention in the Canadian economy that has long been valued as integral to our development as a nation.

Human Face of Unemployment

In examining the effects of unemployment the question is not only who's unemployed from a statistical point of view, but what do these numbers mean to the individuals when they have no job. How does being without a job affect an individual?

We are concerned with the human face of unemployment. We are concerned on how best to help the individual with unique circumstances to enter and stay in the labour force. For the economist the individual is an asset who sells his time; for us he or she is an individual and a member of a group who suffers economic insecurity as well as great personal and social stress when he or she has no job.

Unemployment is an emotional rollercoaster: grieving, job search, and burn-out. The jobless worker passes through emotions ranging from denial, anger, bargaining, depression, acceptance through to enthusiasm, stagnation, frustration and finally apathy. For youth experiencing unemployment, it can be initially a period of optimism followed by uncertainty and finally despair.

For most of us who are suddenly without a job, we go through an initial stage of shock, followed by active job search and relative optimism; a period of pessimism, anxiety, diminished and less effective job search coupled with a feeling of distress and finally a period of adaptation and fatalistic resignation.

In a society such as ours where a person's self-worth is shaped and sustained by work, unemployment is a major personal crisis. While the impact of unemployment is not universal, and the unemployed are not all the same in their reaction to joblessness, a number of things can moderate the impact of unemployment on individuals, such as formal or informal group support, reason for job loss, options available, economic circumstances, state of mental and physical health, age and education or skill level, and duration of unemployment.

How an individual copes with unemployment can depend on one's age and whether the person is a man or a woman. Older workers (over 45) have longer spells of unemployment and find it more difficult to become re-employed. Thus, they tend to become discouraged and eventually stop seeking jobs; with unemployment and an inadequate pension, poverty looms on the horizon in old age.

Youth, on the other hand, are the primary victims of unemployment. This is especially true during a recession when the lack of job opportunities makes it difficult for young people to find a job, any job. And there is evidence that unemployment is highly related to drug abuse, suicide, vandalism and crimes of violence.

The impact of unemployment on women can be particularly harsh. Women carry a disproportionate share of parenting and household responsibilities. Their burden is compounded by their low level of earnings relative to men and immobility because of primary care responsibilities.

The family is also threatened during unemployment. Young families with pre-school-aged children, lacking the resources to cope with economic adversity, are most likely to have poverty level incomes, increased anger and family violence as well as marital breakdown as a result.

Chapter 8: Conclusion and Recommendations

A minority report, by its very existence, reflects some basic disagreement among the members of a commission, task force, or other public body reporting to the government.

Sometimes the divergence of views is confined to a few areas of the report, or it may be a disagreement over timing, degree, or some other aspect of practicality. The dissenting members, in such cases, feel strongly enough about these particular points to wish their dissent to be recorded, but they do not differ extensively with the majority on most of the recommendations.

Anyone who reads carefully through both the majority and minority reports of this Commission of Inquiry will become aware that in this case the discord is much wider and deeper than it traditionally has been with other government-appointed commissions. It is not a matter of subtle shadings. The gulf between the majority and minority reports is evident in almost every section and every series of recommendations.

We – the minority commissioners – did not accept appointment to this commission with any intention of being obstructive or unreasonable. We hoped from the beginning, and through the many months of hearings, that a consensus could be reached. We were prepared to make compromises, as long as they did not in our opinion further erode the unemployment insurance program or penalize the unemployed.

Despite our sincere efforts, however, the chasm that divided our concepts of UI (and our proposals to improve it) from those of the Chairman and the other commissioners proved unbridgeable. It became clear to us, by the time the report had to be written, that the majority members were imbued with a philosophy on UI and obsessed with a set of "reforms" that we could never endorse. Not if we were to remain true to our own principles and beliefs.

We undertook this assignment because we believed – and still do – that Canada's unemployment insurance system has strayed far from its original structure and objectives. It has been subjected to a series of restrictions and cutbacks over the past 15 years which have seriously undermined the program and denied needed coverage to many thousands of Canadians who have paid for this form of insurance.

We felt that it was time to reverse the punitive approach and stop instituting benefit and coverage cuts. We wanted to challenge the unfair assumptions that the unemployed were largely to blame for their own plight, that they could find jobs if they tried hard enough, and that a "too generous" UI program was encouraging their "laziness" and lack of initiative.

To our shock and dismay, we found that these derogatory stereotypes of the unemployed were rife among the other commissioners – and were shaping their version of the report from the beginning. We don't think we are being unfair to them when we suggest that their bias against the unemployed had the effect of closing their eyes and ears to the hundreds of community, labour, church and business groups who presented briefs to the Commission. Certainly there is no indication whatever in their majority report that they were listening to the Canadian people's views on UI, any more than they were finally prepared to listen to us.

To say that we are appalled by the majority report would be an understatement. We believe that it is the very antithesis of what it should have been. It shows no compassion for the jobless, no understanding of the real causes of unemployment, no desire to preserve a truly effective, genuine unemployment insurance program.

Instead, if – God help us! – the majority report is adopted and implemented, we would be left with a travesty of a program, more a form of welfare than insurance, that would exclude hundreds of thousands from coverage and dole out starvation-level benefits to those who did still manage to qualify.

We find it difficult to believe, even now, that the majority members of this Commission, assigned to propose ways of improving unemployment insurance, should instead recommend its destruction. They will no doubt deny that this is their intent, but there is no doubt that would be the consequence of following their lethal prescription.

Our purpose in this minority report, beyond recording the scope and degree of our dissent with the majority members, is to offer our own very different formula for reforming the UI program. We have not dreamed up these recommendations on our own. On the contrary, we have been guided and inspired by the many submissions we received from a wide range of individual citizens and groups who care deeply about the unemployed and their dependants. Unlike the other commissioners, we listened to them and learned from them.

The result is that the federal government now has before it, from the same Commission, two very different visions of the future of unemployment insurance in Canada – and two very diverse sets of proposals for reforming the program.

We hope that the government will come to share our vision rather than that of the majority report. We hope the government, after perusing the majority report, will come to the same conclusion we did: that its implementation would be disastrous for the unemployed, and indeed for our whole social security system of which the UI program is such a vital component.

We hope, finally, that, whatever the outcome of this Commission's deliberations and proposals, it will generate a greater public awareness of how much our jobless fellow Canadians need – and deserve – a UI program that gives them dignity, hope and self-respect, as well as adequate incomes.

Appendix A: The Forget Report's Perspective on Unemployment

At the root of the Forget's proposal for massive benefit cuts is a general perspective and analysis in which unemployment is seen as predominantly an individual rather than a societal problem.

It is this perspective which leads to proposals to penalize those who are chronically or seasonally unemployed and to eliminate regionally extended benefits. In its most stark form, the argument is that chronic, seasonal and regional unemployment are all the fault of the individual who is unemployed. Implicitly, it is argued that the worker who is seasonally unemployed is unemployed by choice and could easily find full-year employment; that the worker who is chronically unemployed is unemployed by choice and could find a job if he or she wasn't so lazy; that the worker whose unemployment is determined by regional economic factors could resolve his or her unemployment problem simply by moving to a part of the country with greater opportunities; that the problem isn't too few jobs, just the wrong ones.

This approach to unemployment insurance reform is based on a key assumption about the economy and about unemployment. It is assumed that unemployment in Canada is primarily the result of structural – that is, matching – problems rather than overall demand deficiency, and that matching problems reflect choices made by the unemployed rather than factors beyond their control. In other words, unemployment can be characterized as a behavioural problem of the unemployed.

The report cites factors such as education, occupation and industry of employment as important indicators of the risk of unemployment.

But while these factors clearly influence an *individual's* experience with unemployment, they do not cause the experience of *society as a whole* with unemployment. That experience is caused by aggregate economic factors, not by individual factors.

From such assumptions about the nature of unemployment, structuralists conclude that unemployment can be reduced or increased by influencing the behaviour of the unemployed. For example, it is argued that making unemployment insurance benefits more generous contributes to higher unemployment rates and that reducing benefits will correspondingly reduce unemployment.

And from this argument flows the proposition that chronic, seasonal and regional unemployment could be eliminated if the right incentives were built into the economic system. It is, essentially, a much more subtle and sophisticated variant of the argument that unemployment exists because people are too lazy to work and that there's a job out there for everyone who wants one.

It is important to recognize that structural problems in the labour market (problems of matching workers and jobs) can limit overall economic potential only where they result in labour shortages. For example, a shortage of trained electricians in a local labour market might hamper the ability of the local housing industry to respond to housing demand. General labour shortages might make it impossible for firms to expand.

By the same token, eliminating structural problems in the labour market is, in general, not going to create new jobs. For example, improving the job search skills of the unemployed may make the individuals who receive the training more competitive in the job market, but it is not going to result in any more people, in the aggregate, becoming employed.

At the root of the issue is the question of who is at fault for unemployment. The behavioural approach would suggest that it is a construction worker's fault if the industry is unable to operate for several months a year because of bad weather.

The behavioural approach would suggest that unemployment is the fault of the individual when a weak economy cannot generate full-time year-round employment for everyone. The behavioural approach would suggest that the only reason people in Newfoundland are unemployed is because they refuse to move to Ontario or Alberta where jobs are supposedly plentiful.

The theory that unemployment is largely a problem of labour supply rather than of aggregate economic demand was very popular among conservative economists in the early-to-mid 1970s. Economists looked at the changing relationship between inflation and unemployment and concluded that labour supply problems had increased the rate of unemployment below which inflationary pressures would build and that increased demand would simply result in increased prices.

Those theories are now largely discredited as general economic propositions.

And the idea that unemployment insurance contributes to high unemployment is no longer supported by many of the very economists who provided the original "evidence" for this contention. At a "think tank" convened by the Commission of Inquiry on Unemployment Insurance this past winter, involving several economists who had written papers in the 1970s arguing that UI contributes to unemployment, the summary conclusions read as follows.

> The Studies group of the Commission of Inquiry sponsored a "think tank" seminar on unemployment insurance on December 17, 1985. The participants appeared to be in agreement on several points of a broad nature with regard to current conditions within the Canadian labour market. The major areas of consensus and discussion are as follows:
>
> - current levels of unemployment are far in excess of "full employment" levels, by any reasonable definition. It thus follows that there are ***substantial numbers of involuntary unemployed workers***;
> - unemployment insurance is viewed as part of the institutional framework which determines the non-accelerating inflation rate of unemployment (NAIRU), but, under current macroeconomic conditions, ***cannot be seen as responsible for the level of unemployment***;
> - the unemployment insurance program functions as ***an important automatic stabilizer*** in the economy. In addition, the program plays a significant role in maintaining standards of living in the more disadvantaged regions of the country;
> - because of the consensus that the current unemployment rate reflects "demand deficiency" rather than a "natural rate" of unemployment and that the program has a valid role to play in stabilizing aggregate demand and regional incomes, there ***emerged an implicit consensus that there is no urgent need for "tightening up"*** of the unemployment insurance system;
> - it was noted that the burden of unemployment is borne disproportionately by a small portion of those in the labour market, and generally agreed that more resources need to be directed towards this group, particularly the ***long-term unemployed***. No agreement was clear on the issue of whether this should be done at the expense of the short-term unemployed, for example by extending the waiting period for benefits;
> - in the context of increasing structural unemployment, the training and mobility aspects of labour market adjustment were emphasized, and, more broadly, the integration of the program with ***full employment macroeconomic policies*** was stressed. Some discussion developed around alternative financing arrangements to strengthen the automatic stabilizing nature of the program. (Emphasis in original)

Appendix B: A Description of the 1986 UI Program

After ten years of attack and legislative amendments the program is more complicated and less equitable and we will be making a number of recommendations to make the system fairer and simpler. At the same time, the basic structure of the UI system has survived. We will be making several recommendations to reinforce that structure.

Coverage and Eligibility

The program still insures the employment of virtually all paid workers in the labour force. An estimated 90% of paid workers are insured under the program. These workers are referred to as being in insurable employment. The main exclusions from coverage are those 65 years of age and over, the self-employed (except fishermen who are covered by special arrangement) and those who work less than 15 hours per week or earn less than 20% of the maximum weekly insurable earnings ($85 in 1984, $92 in 1985 and $99 in 1986).

To qualify for benefit, claimants must have suffered an interruption of earnings from employment and accumulated a specific number of weeks of insurable employment.

In general, the interruption of earnings for the insured person who ceased work by reason of sickness, pregnancy or adoption occurs in the week when normal employment earnings drop below 60% of normal weekly insurable earnings from that employment. For others, it occurs when following separation from employment, the insured persons have a period of seven days during which no work is performed and no earnings arise from that employment.

Sickness benefits are payable to claimants who provide a medical certificate to prove incapacity. Where the interruption of earnings is due to sickness, only claimants with at least 20 insurable weeks are entitled. The maximum 15 weeks of sickness benefits is payable only as part of the maximum 25 weeks of the initial benefit period.

Maternity benefits are payable to claimants who provide a medical certificate proving pregnancy. Only claimants with 20 insurable weeks are entitled to benefits. The maximum 15 weeks of maternity benefits is payable as part of the initial benefit period. Benefits may commence as early as 8 weeks before the expected week of birth and end as late as 17 weeks after birth. When adopting a child, either parent may be entitled to receive up to 15 weeks of adoption benefits commencing with the week of actual placement of the child.

The combination of sickness, maternity and adoption benefits cannot exceed 15 weeks.

Special provisions affect benefits for fishermen. For example, self-employed fishermen can draw the special fishing benefit from November 1 to May 14, or from May 1 until November 15.

Benefits may also be paid to claimants undertaking approved training, or participating in approved job creation projects or work-sharing agreements. The duration of benefits payable in these cases can exceed the usual maximum of 50 weeks.

Claimants are subject to disqualification for up to six weeks for such reasons as quitting jobs without just cause, being fired for misconduct, and refusing suitable employment.

Benefits are not payable to claimants involved in labour disputes.

Figure SB.1
Variable Entrance Requirement

Regional rate of unemployment	Weeks of insurable employment required
6.0% and under	14
Over 6.0–7.0%	13
Over 7.0–8.0%	12
Over 8.0–9.0%	11
9.0% and over	10

The basic entrance requirement, as already noted, is extremely complicated. It varies from 10 to 14 weeks of insurable employment in the 52 weeks prior to filing a claim (the reference period), depending on the unemployment rate in the UI economic region in which the claimant resides. The number of weeks required is determined as shown in Figure SB.1.

Claimants who have received benefits during the reference period are defined as program repeaters. Except in regions with unemployment rates over 11.5%, "repeaters" must meet more stringent entrance requirements.

Claimants who had less than a combined total of 14 weeks of insurable employment and UI benefit (or other weeks prescribed by regulation) in the 52-week period preceding the reference period, are new entrants or re-entrants to the labour force. They are required to have 20 weeks of insurable employment in the reference period.

Repeaters' entrance requirements are determined according to Figure SB.2.

Individuals claiming sickness, maternity or special severance benefits are required to have 20 weeks of insurable employment in the reference period.

The reference period of up to 52 weeks may be extended to a maximum of 104 weeks if the claimant was prevented from working because of sickness, pregnancy, incarceration, attendance at an approved training course or receipt of Workers' Compensation for temporary total disability.

Insurable weeks and insurable earnings are reported by the employer on the Record of Employment, which the employee must provide at the time of application for benefits. In 1986, the maximum weekly insurable earnings is $495. It is increased annually according to the rate of increase in wages and salaries averaged over the most recent eight-year period.

Benefit Rate

The benefit rate is based on weekly insurable earnings and what is defined as earnings. There is also an overall maximum benefit. The benefit rate is 60% of average weekly insurable earnings in the last 20 weeks of employment prior to unemployment, or all weeks where there are fewer than 20 weeks of insurable employment. The maximum weekly benefit in 1986 is $297.

For those unemployed who work while receiving UI all earnings from employment over 25% of benefits, received during the period for which benefits are payable, are deducted from benefits.

All separation payments such as severance pay, vacation pay, or pension income, as already

Figure SB.2
Variable Entrance Requirement for Repeaters
(Weeks)

Weeks of benefits paid/payable in the year before the reference period	Regional unemployment rate				
	6.0% and under	Over 6.0–7.0%	Over 7.0–8.0%	Over 8.0–9.0%	9.0% and over
10 and under	14	13	12	11	10
11	14	13	12	11	11
12	14	13	12	12	12
13	14	13	13	13	13
14	14	14	14	14	14
15	15	15	15	15	15
16	16	16	16	16	16
17	17	17	17	17	16
18	18	18	18	17	16
19	19	19	18	17	16
20 and over	20	19	18	17	16

pointed out, are now considered as earned income. This regulation exempts severance payments which were provided under collective agreements or written employers' policies in force prior to December 31, 1984. Such payments are exempted until the collective agreement expires or March 26, 1988, whichever is earlier. As of January 5, 1986 pension income is also considered as income earned from employment.

Employment earnings in the waiting period are generally deducted from the first three weeks of benefits payable. Deductions made for each week in the waiting period do not exceed the benefit rate.

Income received for sickness or maternity leave or from any group wage-loss insurance plan during sickness or maternity is not taken into account as earnings in the waiting period.

Duration of Benefits

The number of weeks for which an individual can collect benefits is determined by the weeks worked prior to going on claim as well as local labour market conditions. Benefit entitlements vary with the unemployment rate in the region (local labour market).

Benefit entitlements related to the individual's weeks of work prior to unemployment (known as labour force attachment benefits) are provided in two phases: the initial benefit phase; and the labour force extended benefit phase. Benefit entitlements arising from local labour market conditions are referred to as regionally extended benefits. There are 48 local labour markets across Canada. The three phases which define benefit entitlements are set out below:

1 Initial benefit phase: one week of benefits for each week of insurable employment up to a maximum of 25 weeks.
2 Labour force extended benefit phase: one week of benefits for each 2 weeks of insurable employment over 26, to a maximum of 13 weeks, in accordance with Figure SB.3.
3 Regionally extended benefit phase: two weeks of benefits for every 0.5% that the regional unemployment rate exceeds 4.0%, up to a maximum of 32 weeks in accordance with Figure SB.4.

For the purpose of the entrance requirements and the payment of regionally extended benefits,

Figure SB.3
Labour Force Extended Benefits

Weeks of insurable employment in claimant's qualifying period	Maximum labour force extended benefit payable (weeks)
27 or 28	1
29 or 30	2
31 or 32	3
33 or 34	4
35 or 36	5
37 or 38	6
39 or 40	7
41 or 42	8
43 or 44	9
45 or 46	10
47 or 48	11
49 or 50	12
50 and over	13

Figure SB.4
Regionally Extended Benefits

Regional rate of unemployment	Maximum regionallly extended benefit payable (weeks)
Over 4.0–4.5%	2
Over 4.5–5.0%	4
Over 5.0–5.5%	6
Over 5.5–6.0%	8
Over 6.0–6.5%	10
Over 6.5–7.0%	12
Over 7.0–7.5%	14
Over 7.5–8.0%	16
Over 8.0–8.5%	18
Over 8.5–9.0%	20
Over 9.0–9.5%	22
Over 9.5–10.0%	24
Over 10.0–10.5%	26
Over 10.5–11.0%	28
Over 11.0–11.5%	30
11.5% and over	32

48 economic regions (local labour markets) have been established. The present regional system has been in place since October 1982.

We strongly support the dual criteria of labour force attachment and labour market conditions for determining the duration of UI benefits. But we question the two-phase labour force attachment phase. Why should an unemployed worker with more than 25 weeks of work prior to unemployment need 2 weeks of work to collect 1 week of benefits? It should be noted that the average period of unemployment has doubled in the 1980s compared to the 1970s.

In keeping with our view that UI remain an earnings-related program, we believe it is appropriate that UI benefits are taxable. But we strongly object to any surtax on UI benefits. Under the existing program, a portion of UI benefits may have to be repaid by some claimants. If the claimant's net income (including UI) for income tax purposes exceeds one and half times the maximum yearly insurable earnings ($35,880 in 1985; $38,766 in 1986), the claimant will be required to repay 30% of the UI benefits received in that year or 30% of his net income over ($35,880 in 1985 and $38,766 in 1986), whichever is lower.

We also support the principle of employee premiums being integrated with the tax system. Employee premiums are now deductible from income for tax purposes. We would advocate replacing the tax deduction feature with a "tax credit" for employee premiums. A tax deduction favours higher-income tax payers. A tax credit would return a larger percent of employee premiums to low-income workers.

Financing

The UI program is financed on a tripartite basis through contributions from employer and employee premiums and the federal government. We want this arrangement continued.

The federal government contribution absorbs the cost of regionally extended benefits, the cost of benefits for self-employed fishermen in excess of premiums from that employment, and the cost of extended benefits for those undertaking approved training or participating in approved work-sharing and job creation projects.

Premium revenues absorb the cost of benefits in the initial and labour force extended phases (including those costs related to training and job creation), sickness, maternity, adoption, special severance and work-sharing benefits, as well as the costs of administering the UI Act, including the operation of the National Employment Service.

The basic employee premium rate for 1986 is $2.35 for each $100 of weekly insurable earnings. The employer premium rate is set by legislation at 1.4 times the employee rate ($3.29 per $100 in 1986).

Appeals

Decisions affecting benefits may be appealed in the first instance to a Board of Referees and in the second instance to an Umpire of the Federal Court. Under special circumstances an appeal can be made to the Federal Court of Appeal and the Supreme Court of Canada. The system needs to be revamped and made more accessible to claimants.

Organization and Administration

In general, the Minister of Employment and Immigration is responsible for the UI Act. The Canada Employment and Immigration Commission is the corporate body responsible for administering the UI program. We have several concerns about the decision-making process, particularly the limited autonomy and authority of employer and employee representatives in that process. We are equally concerned about management and regulation on a day-to-day basis. Some of the administrative problems with UI, however, are rooted in the changes to the program over the years which introduced complicated, restrictive criteria for eligibility and the determination of benefit entitlements.

Special arrangements exist for the collection of premiums, determination of insurable employment and the administration of repayment provision. These functions are the responsibility of the Minister of National Revenue and are administered by Revenue Canada, Taxation.

Recommendations

S1.1 We therefore recommend that the entrance requirement for sickness and maternity benefits be brought into line with those for other benefits;

S1.2 we further recommend that the current distinctions in entrance requirements based on regional rates of unemployment and class of claimant be ended. The uniform entrance requirement should be 10 weeks for all classes of claimants.

S2 We recommend that the current regional extended benefit formula be retained, but that administrative distinctions between the two "phases" be eliminated. In addition, we recommend that the extended benefit be called the labour market extended benefit to make its link to labour market conditions, as measured by the rate of unemployment, clear.

S3 We recommend that the current overall maximum benefit period of 50 weeks be eliminated, creating an effective maximum of 71 weeks.

S4.1 We recommend a two-week waiting period for regular benefits;

S4.2 a one-week waiting period for sickness benefits;

S4.3 elimination of the waiting period entirely for maternity and parental benefits;

S4.4 a guarantee of benefits payment within a week of application; and

S4.5 payment of UI benefits to start at the end of the first benefit week, and every two weeks thereafter.

S5 We recommend that each year's insurable maximum be established at 125% of the eight-year moving average earnings.

S6 We recommend that the benefit rate be increased to 66⅔%.

S7 We recommend that "earnings" to be allocated against UI benefits be defined as income resulting from work after the termination of employment which gives rise to the claim.

S8.1 We recommend that the special three-week early retirement benefit be eliminated;

S8.2 the present exclusion of coverage from persons over age 65 be eliminated; and

S8.3 UI rules and regulations include a clear and concise definition of "availability for work" and "job search."

S9.1 We recommend that the maternity benefit period for a natural mother be extended to 17 weeks by dropping the 2-week waiting period; and

S9.2 we further recommend a parental and adoption benefit period of 24 weeks that can be shared as desired between the parents;

S9.3 where a child is hospitalized immediately following birth or otherwise during a maternity benefit period, we recommend that claimants be permitted to freeze their claims, return to work, and reactivate their claim on the release of the child from hospital.

S10 We recommend that the duration of maternity, parental and sickness benefits not be limited by the establishment of other claims under the UI program, nor be denied under Section 44 of the Act by virtue of a labour dispute.

S11.1 We recommend that parental benefits under UI be reinforced by provisions in all labour codes in Canada that would require: 17 weeks of maternity leave and an additional 24 weeks of parental leave as is now the case under the Canada Labour Code;

S11.2 the accumulation of seniority and benefits during maternity and parental leave; and

S11.3 the right to return to one's former job or its equivalent following maternity or parental leave.

S12.1 We recommend that unemployment insurance premiums be collected for all hours worked from both employees and employers;

S12.2 the requirement for unemployment insurance eligibility be a minimum of six hours per week of regular employment; and

S12.3 employees who fail to establish UI eligibility in any taxation year have their premiums refunded through the income tax system. Employer premiums would not be refunded.

S13 We recommend that Section 44 be rewritten to make it clear that the only people who will be denied benefits under this section are people who are direct participants in a stoppage of work or who are covered by a collective agreement that is at issue in the stoppage of work. The definition of a direct participant should not include workers who refuse to cross the picket line of workers who are direct participants in a labour dispute.

S14 We recommend that sickness, maternity and parental benefits and claims arising from layoffs that would have taken place in the absence of a strike be exempted from the labour disputes rule.

S15 We recommend that Section 44 not deny benefits to workers who are faced with an illegal lockout.

S16 We recommend that a dispute be deemed to be ended when the parties to a dispute have ratified a memorandum of agreement and/or a collective agreement.

S17 We recommend that the special requirements to prove "bona fide employment" or regular engagement in another occupation in order for a worker who is on strike to claim benefits in a layoff from a job not related to the strike be removed from the section dealing with labour disputes.

S18 We recommend the following procedure for determining UI eligibility when a claimant is re-employed prior to the termination of a claim:

S18.1 eligibility under the previous claim be increased by one week for each week of insured employment;

S18.2 and eligibility be the greater of the number of weeks remaining on the previous claim, augmented as above, and the number of weeks of benefit to which the individual would be entitled in a *new* claim established through the new insured employment.

S19 We recommend that persons who leave the labour force and wish to retain the option of filing a claim for unemployment insurance upon their return to the labour force be permitted to "freeze" their UI eligibility until their return to the labour force.

S20 We recommend the elimination of the eligibility requirement for farm workers to work at least seven days for the same employer before their employment becomes insurable.

S21 We therefore recommend that Part V, Section 85(9) of the regulations be amended to reflect that the maximum number of weeks of the initial benefit period is equal to the number of weeks of insurable employment during the qualifying period.

S22.1 We recommend that fishermen's UI be continued in the Fishermen's Benefits section of the UI program;

S22.2 we further recommend that Canada recognize the special problems of the undeveloped and underdeveloped northern regions with respect to inadequate income, and develop special programs for income supplementation and economic development.

S23 We therefore recommend that hunters and trappers be eligible for Unemployment Insurance under the Fishermen's Benefits provisions of the UI Act.

S24.1 We recommend that the UI program continue to be financed on a tripartite basis through employer-employee premiums, and federal government contributions; and

S24.2 that the federal government continue to absorb the cost of benefits related to labour market conditions as measured by the official unemployment rate exceeding 4% (regionally extended benefits), hunters, trappers and Fishermen's Benefits in excess of premiums collected, and the administrative costs of the program;

S24.3 we further recommend that Sections 37 (Work Sharing), 38 (Job Creation), and 39 (Training) be removed from the UI Act, and be properly placed in the Canadian Jobs Strategy program.

S25 We recommend that benefit cost be allocated to employers and employees on a 50%/50% basis.

S26 We recommend that the Act provide for premium rate setting to be based on an averaging formula covering a period of between five and eight years.

S27 We also recommend that the Act charge the new Unemployment Insurance Commission with the power to fix rates annually while respecting objectives for both demand stabilization and medium-term equilibrium.

S28 We recommend that a revised Unemployment Insurance Act state clearly the principle that UI is a social insurance program based on an individual entitlement to benefits and establish as an explicit administrative goal the treatment of all claimants with dignity and respect.

S29.1 We recommend that all administrative procedures that place the burden of proof on UI claimants be replaced by new procedures that respect the principles of natural justice;

S29.2 claimants should be required only to present to the Commission the facts at their disposal necessary to establish a claim. The claimant having supplied the facts, the onus should be on the Commission to disprove entitlement.

S30 We recommend that the new Act be carefully structured to limit administrators' authority in areas of policy concern while avoiding the mindless detail and nitpicking which now hamstrings administrators and results in rulings that appear to lack common sense.

S31.1 We recommend that the audit and policing (benefit control) function be separated completely from regular claims administration. Officials should not be put in the position of having to be both counsellor and policeman;

S31.2 that each UI office fund community-based claimant advisory and advocacy services or, where no groups exist to provide claimant services, provide such services from the UI budget but under the control of a common advisory board made up of worker representatives. Delivery of such services should not be under the control of CEIC; and

S31.3 that employment services offered under the UI program be administered independently of the claims administration and benefit control functions.

S32.1 We recommend that a responsibility be placed on the UI Commission to deal reasonably with each claim submitted to it, and on the claimant to present factual information and evidence to support a claim;

S32.2 that references to "proof" of claim be replaced with conditions of eligibility stated in more neutral language;

S32.3 that each claim be treated as honest, reasonable and legitimate, until the facts demonstrate otherwise; and

S32.4 that claimants be provided with reasonable assistance in the marshalling of the facts necessary to support claims.

S33.1 We recommend all administrative rules and criteria be available to the public and explained clearly to all UI claimants who might be affected by them;

S33.2 all material produced for claimants must be available in every language other then English and French spoken by a substantial number of UI claimants served at the local level;

S33.3 in all UI offices serving significant ethnic communities, services be available in the language of that community; and

S33.4 UI publish a clearly written document that outlines the rights and obligations of UI claimants and make the document available and accessible to all UI claimants.

S34 We recommend that a UI counselling service be established as the point of entry of all UI claimants into the system. The purpose of the counselling office would be to assist claimants in completing application forms and to assist them in gaining access to other applicable services and programs.

S35 We recommend that claimants be eligible to file a claim and receive benefits at any time during the period for which they would be eligible for benefits.

S36 We recommend that the Act specifically exempt from any penalty claimants who can establish just cause for their actions, and that an inclusive definition of just cause be set out in the Act.

S37 We recommend that no claimant be disqualified for failure to meet procedural requirements such as the filing of report cards or for reasonable errors committed in ignorance of the requirements of the Act and regulations.

S38 We recommend that the knowledge required of claimants in determining the reasonableness of an error be limited to published material generally accessible to claimants.

S39.1 We recommend that processing of claims be carried out centrally, in a limited number of data processing offices connected on-line with local offices;

S39.2 that local offices be given the authority to make a broader range of administrative decisions in response to local needs; and

S39.3 that local offices be given the authority to reissue any UI benefit cheque that is more than five days overdue.

S40.1 We recommend that there be three levels of appeal from a decision of a UI claims officer: an administrative appeal to a claims adjudicator, whose function would be to provide a "second opinion" on any issue between a claims officer and a claimant; a Board of Referees composed of an independent chairman, an employee representative, and an employer representative, including an independent administrative structure, completely independent of the UI Commission and with the authority to determine all issues of fact and procedure; and a right of appeal on issues of law to the Federal Court of Appeal;

S40.2 that time limits be established in legislation for hearing dates and decisions at the claims adjudicator and Board of Referees levels;

S40.3 that adequate explanatory material be made available to enable claimants to make effective use of the appeal system; and

S40.4 that funding be provided by CEIC for advocacy groups to assist claimants in the appeals and claims processes.

S41.1 We recommend that the program framework, including the full benefit structure, broad program rules and administrative guidelines be established in legislation;

S41.2 that the spending estimates of the UI Commission be submitted annually to a parliamentary committee for approval;

S41.3 that a board of directors be established with overall responsibility for the day-to-day administration of the UI program;

S41.4 that the board of directors consist of 15 members, 7 representatives of employers and 7 representatives of organized labour, with a neutral chairman appointed by the employer and labour representatives on the board; and

S41.5 to ensure the effectiveness of the board, that 5 of its members – 2 employer representatives, 2 employee representatives, and the chairman – be full-time board members as members of an executive committee.